

# CURRENT HISTORY

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## The Presidential Campaign Opens

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THE American plan of holding national elections on a fixed date has some serious disadvantages. For one thing, it makes the campaign a long-drawn-out affair, covering at least six or seven months of active effort on the part of the political organizations. This entails large expense. The present contest will cost the two major parties several million dollars apiece. The American genius for organization has been applied to politics as well as to industry, with the result that our Presidential campaigns, from start to finish, are the biggest things of their kind on earth. They are the biggest in point of votes polled, money spent, time occupied, machinery built up, and workers employed. Unique they likewise are in their welter of claims and counterclaims, rumors and roor-backs, broadcasts and buncombe, slogans and straw votes, tin horns and torchlights, buttons and ballyhoo. In England, on the other hand, an election campaign begins and ends within a few weeks.

There is another difference between English and American campaigns—a very important one. In England it is the issue that produces the election; in America it is the election that brings forth the issue. Dissolutions of Parliament take place because the government desires to ascertain the mind of the people on some important question, such as the imposition of protective duties or the reduction of the dole. No one ever asks in England, "What issues are going to be uppermost in this campaign?" Obviously, they will be the ones which made the election necessary. But in the United States the election comes on a fixed date irrespective of any need for discovering anew the wishes of the people. There may or may not be major issues engaging the public mind when this date arrives. If there are none they must be manufactured for the occasion; in other words, the party organizations must go out and find some issues on which they can hope to win. If they find an embarrassing question upper-

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most in the minds of the people they try to play it down, or they straddle it, as both parties did with prohibition in 1928.

From time to time, however, there are issues which surge so strongly to the front that they cannot be side-stepped or played down. Usually these emerge from an abnormal economic situation, as the free silver issue did in the middle '90s or as the question of unemployment relief is doing today. Economics has been called the dismal science and politics a sordid game, but in all countries the two have now become intertwined. Only in name is this year's Presidential campaign in the United States going to be a political one, for there are no longer any political issues in the old sense. Our people are not thinking in terms of States' rights or suffrage extension, Philippine independence or the control of campaign expenditures. Their interest is focused on the problem of how to get back the full dinner pail.

Every one appreciates, of course, the great advantage that accrues to a President who happens to come up for re-election during an epoch of great prosperity. In such times the party in power claims, and usually gets, a large amount of the credit. It is quite true, of course, that the policy of the administration may have had little or nothing to do with the economic effervescence; but the public imagination does not see it that way. Likewise, when the country runs into a slough of economic depression, with values tumbling, banks going broke and payrolls shrinking—when such a situation comes the party in power must be prepared to see the rule work both ways. It avails nothing to say that the Republican party is not responsible for hard times in 1932. Neither was it for flush times in 1928, but it did not hesitate to take the credit then.

It is an axiom of politics that nothing equals prosperity as a silencer of criticism. It makes the electorate con-

tent with things as they are, satisfied with any kind of leadership, or with no leadership at all. An industrial depression, on the other hand, stimulates every voter to voice his grievances. He tries to find a scapegoat for his own misfortunes. Edmund Burke once said that you cannot indict a whole nation, but political experience shows that you can sometimes indict a whole party and convict it at the polls. The main task of the G. O. P. in this campaign will be to convince the grand jury of the American electorate that it has done everything possible to relieve the farmer, to care for the industrial unemployed, to bolster the banks, to lessen governmental expenditures and to help business back upon its feet. And it is not an easy task, when you come to think of it.

In short, the main difference between the two major American political parties today is the difference between being in luck and being out of it. If economic conditions were as they happened to be in 1928 there would be virtually no doubt of the result, whoever the candidates might be. For the country is normally Republican, and rather heavily so. The elephant is a good deal bigger than the donkey, no matter how you measure the two. The American electorate, taking it as a whole, is more strongly Republican in national than in State elections, more strongly inclined to be Republican on the Presidential than on the Congressional portion of the ballot. The history of the past eighty years would seem to indicate that the country goes Republican in a Presidential election whenever it has a fighting chance to do so, and that it places a Democrat in the White House only when the provocation is very great. Whether it will prove sufficient in this instance is not easy to predict, because we have never held a Presidential election during the severity of a major economic crisis—at any rate, not since the existing party system was established.

Grant and Cleveland had just commenced their second terms when the panics of 1873 and 1893 burst upon the country. The former of these two depressions was still being felt to some extent when the election of 1876 took place, with a virtual defeat for the Republican party at the polls, although President Hayes was ultimately counted into office by a majority of one electoral vote. It would seem logical to believe, however, that the coming election will give the Democratic party the best chance that it has had in more than a generation.

Nevertheless, one should beware of being too logical in politics. The conduct of an election campaign is neither a science nor an art, but merely a series of dodges and stratagems. Victory may slip from the grasp as the result of a seemingly inconsequential incident, as happened to Blaine in 1884 and to Hughes in 1916. Every ballot-scarred veteran knows full well that 2 and 2 do not always make 4 in politics; sometimes they make 22. It all depends on how you succeed in putting your digits together.

One can predict with certainty, however, that there will be one outstanding issue in this year's campaign and that all others will be subsidiary to it. The uppermost question in the minds of the whole American people today is the prospect of a return to normal economic conditions, and how this can be expedited. Can it best be done by giving the Republicans another four years' lease of power? Has President Hoover shown good leadership in dealing with the problems caused by the depression, and is he the one best qualified to bring the country out of it again? Or has the Republican party fallen down on the job? Has it failed to sense the seriousness of the situation? Has the President been too closely wedded to his philosophy of rugged individualism? Mr. Hoover came to the White House with a reputation as the world's foremost specialist in dealing with emergencies. Has he been equal to handling this one?

The answers given to these questions by that fraction of the voters which is not too firmly bound by ties of party allegiance will decide the outcome of the November election. This independent fraction is not relatively large, but when it drifts in one direction it is quite sufficient to turn the scale. Some consolation may be found, perhaps, by the Republicans in the fact that the great hinterland is inclined to blame New York as well as Washington for its troubles. Main Street today is spouting its venom at Wall Street rather than at either end of Pennsylvania Avenue. It remains to be seen whether the investigation of short selling on the Stock Exchange will furnish some new fuel with which these fires of resentment may be fed.

The farmer, the industrial worker and the white-collar man have a common grievance in this campaign. Potentially they have something on which they can unite, which is rarely the case. Whether they will do so is another question; it will depend on who the Democratic candidate is, where he comes from, what kind of record he has, where he stands on prohibition, what sort of campaign advisers he gathers around him, and to what extent he can convince the country that he has a constructive plan for bringing the country out of its difficulties.

During the past few months a good many Republicans have been saying that they will vote for "anybody against Hoover." But that is not what they will be asked to do next November. They will be asked to vote for Somebody against Hoover, which is quite a different thing when the voter goes into the polling booth. But once again, predictions far in advance of a Presidential election are so unsafe that no sensible student of politics should ever attempt them. Their difficulty increases as the square of the interval which precedes the polling and in geometric ratio as related to the abnormality of the times.

The general economic situation, at any rate, is providing and will continue to provide the centre of controversy in this campaign. It has many phases which reach deeply into the whole fabric of American life. The big and little investors who have been shorn to the skin by the deflation of security values during the past couple of years want to know whether a Republican administration was guilty of contributory negligence in letting the market go on an unrestrained rampage during the years 1925-1929. They had been assured that the Federal Reserve system would keep the rise from going too high and the decline from going too low. In reality it did neither. Is the administration to blame for this? Or has the trouble been caused by circumstances which no government could possibly control? To ask that a government stem the rising tide of prosperity, when every one believes himself to be growing rich, is undoubtedly to ask a great deal.

And what about the relation of the tariff to the marked decline in our export trade during the past couple of years? Have we been led by the high protectionist philosophy of the Republicans into the folly of imagining that we could keep our exports at a peak while lifting our tariff walls to a point where they would shut out imports from the rest of the world? It is, or ought to be, a self-evident proposition that we cannot sell abroad unless we buy abroad. If we cease buying from other countries they must stop buying from us, for they have no other way of making payment. Has Smoot-Hawleyism contributed to the present industrial situation, in which our export trade has fallen off and left our capacity to produce far in excess of the volume of what is needed for home consumption?

Again, was President Hoover well advised when, at the beginning of our present troubles, he insistently pleaded that wages should not be reduced anywhere? He urged this

course in order that the purchasing power of the country would not be impaired. But the reductions have come in the end, and there are many employers who feel that it would have been far better for business if this step had been taken at the outset. It is their conviction that industry would be further along in its progress to stability if such action had been taken in 1930. Their reasoning in this matter is probably unsound. If President Hoover had not intervened to hold up the purchasing power of the country we should probably have had a panic rather than a depression. That is what happened in 1873.

Then there is the issue of farm relief, which has now entered the category of hardy perennials. The agricultural regions insisted on an agricultural relief measure, and they got one in 1929, although not exactly what they wanted. Large sums of money have been advanced to agricultural associations under authority of this act; but have they helped appreciably to solve the farmer's difficulties? To win this election the Republican party must hold those sections of the country where men win their livelihood from the soil. The Democrats, of course, can greatly help them to do this by nominating some one whose affiliations and views are anathema to the bucolic mind—and that is what they did in 1928.

And what of the much-heralded Reconstruction Finance Corporation measure? Is this governmental action going to succeed in its efforts to keep shaky banks from closing and bolster industries that are on the verge of collapse? Great amounts of purchasing power are locked up in closed banks and the liquidating process is slow. Has the government done its best to expedite this process or has it been callous to the plight of a million depositors? That is what these depositors in closed banks are trying to make up their minds about. It is a real issue with them.

Has the administration been unjust

and unwise in insisting that the responsibility for feeding and sheltering the unemployed, or for providing them with public work, should be assumed by the States and the municipalities rather than by the Federal Government? State and city officials all over the country are resenting this attitude. Will their resentment be shared by the voters, or will people take the more rational view that, since the burden of unemployment relief must be borne out of taxes, it does not make a world of difference whether the responsibility is shouldered by one branch of the government or by another. In this connection there is the matter of a great "prosperity loan" which the Hearst newspapers have been so persistently advocating. There are thousands, perhaps millions, of voters who believe that normal business conditions can be brought back by this device of borrowing money and then squandering it. Will the Democratic candidate set himself against all such proposals or will he ally himself with them?

Whether the soldiers' bonus issue is to figure in this campaign will depend on what Congress does with the proposal which is now before it. If the measure for paying adjusted compensation certificates in full passes both houses, and is vetoed by the President without being repassed over his veto—all of which seems not improbable—the question will be an issue in the campaign. The Veterans of Foreign Wars will make it so. They do not form a large body of voters but they make up in assertiveness what they lack in numbers. Nevertheless, Mr. Hoover would stand to gain rather than to lose votes if this issue is pressed.

International questions are not likely to play much part in American political discussion during the next few months. The League of Nations is a dead issue just now and is likely to stay so. The controversy over our adhesion to the World Court has resolved itself into a quibble over

phraseology. In any event, the Democratic candidate, whoever he is, will favor acceptance of the protocol. The candidates on both sides took that stand in the last two Presidential campaigns. They are likely to do it in this one. As for the moratorium, it was extended by agreement of both parties and both are in agreement on the matter of collecting our indebtedness from Europe—if we can. So the issues of this campaign are domestic in character; they end at the water's edge.

Finally, there is prohibition. It is bound to be an important issue no matter how much the party strategists may wish it otherwise. And it is one upon which neither of the two major parties can take a forthright stand without serious embarrassment to itself.

On this question the Democratic party is split squarely up and down the centre. For the backbone of its electoral strength, the Solid South, is bone dry, while the Northern and Western wings of the party, especially in the industrial cities, are wringing wet. To frame a platform declaration that will suit both these irreconcilable elements is a task that is going to give the Democratic leaders plenty of trouble next June. To find a candidate, moreover, who is wet enough to placate the North and yet not so wet as to antagonize the South, will be even more difficult still. The South will probably have to swallow a heavy dose of moisture in the Democratic platform this year. It will do this with a grimace provided the candidate is not utterly uncongenial to the South in his other affiliations.

In the Republican party the situation is much the same, although the cleavage here is not so sharp and does not follow geographical lines. Industrial Republicanism inclines to be wet while rural Republicanism is dry. This makes the issue a hard nut for the Republicans to crack. If they want to be sure of carrying Massachusetts and Rhode Island, for example, their

platform and their candidate must be so anti-prohibitionist as to risk the loss of such States as Kansas and Iowa.

Indeed, there seems to be only one thing upon which, in relation to prohibition, the majority of American voters have reached a conclusion. This is the proposition that the enforcement of prohibition is not now satisfactory. Will Rogers said it more effectively when he "wisecracked" that "prohibition is a poor arrangement but it's better than having no liquor at all." How to correct this situation, whether by repealing the Eighteenth Amendment, or modifying the Volstead law, or turning the problem over to the States, or appropriating more money for a stricter enforcement—these are questions upon which the widest variety of opinion prevails throughout the country.

But the voters are demanding a forthright pronouncement on this issue. They want not only a protest but a plan. It will not do for the platforms of both parties to evade the issue by declaring, as they did four years ago, that so long as the law remains on the statute book it ought to be enforced. The vital question is whether it ought to remain on the statute book or, if it is to be changed, what kind of regulation should take its place.

Nevertheless, at both national party conventions in June there will be strong insistence from various influential quarters upon the desirability of straddling the question once more in the interests of party harmony. That the Democrats will do this is altogether unlikely. As for the Republicans, a great deal will depend upon what President Hoover desires the platform to say on this matter. Prohibition, in any event, is the most perplexing question that has faced the strategists of either party since the free-silver issue raised its head in the middle of the '90s.

So much for the issues. What of the candidates? Of course the renomina-

tion of President Hoover by the Republicans has been a foregone conclusion since the beginning. This is partly because the renomination of a President at the close of his first term is almost impossible to prevent. It has been prevented only once in the past seventy years—in the case of President Chester A. Arthur, who had been nominated and elected Vice President in 1880 without any intent that he should ever reach the White House. Ordinarily a renomination is assured through the President's control of the Federal patronage, especially in the Southern States. These appointments enable him to build up, if he chooses, an organization which gives him a virtually decisive advantage over any other candidate when the time for electing delegates to the national party convention arrives.

There may be a great deal of opposition within the ranks of a President's own party during his first term but such opposition can rarely be consolidated under a unified command. This has been so in Mr. Hoover's case. The Norris - Pinchot - Johnson - Brookhart-La Follette insurgency has been of the guerrilla type, with each insurgent for himself. If these restive Republicans could pool their strength they might be dangerous to the Hoover cause; but there has been no chance of their doing it. They form an all-star cast, with no one of them ready to play anything short of the stellar rôle.

A year ago there were those who thought that Senator Borah might be able and willing to rally the malcontents; but the orator from Idaho is too loyal a Republican and too good a politician to lead a portion of his party out into the wilderness. Governor Pinchot of Pennsylvania was the possibility on whom the ultra-progressives pinned their hopes for a time, but his incipient boom failed to evoke any nation-wide response. Various attempts to launch a third party have likewise collapsed during the past couple of years. Although a

League for Political Action, sponsored by Professor John Dewey, has stirred some enthusiasm in the ranks of the intelligentsia, its importance as a factor in practical politics is negligible. First among the essentials of a third party is a leader who is willing and able to lead. There is none in sight just now.

Among the Democrats the sailing has been by no means so smooth. Immediately after the election four years ago it became apparent that Governor Franklin D. Roosevelt of New York was in possession of a flying start for the campaign of 1932. His ability to carry his own State when the Presidential ticket failed to do so was sufficient to silhouette him in the public imagination as an aspirant worth laying wagers on. It was taken for granted, moreover, that Alfred E. Smith would accept the verdict of 1928 as final and would support Governor Roosevelt as loyally as the latter had supported him. In addition, Mr. Roosevelt himself possessed several assets of political importance. He had been a member of the Wilson Administration, yet not too prominently identified with it. As Assistant Secretary of the Navy during the World War he had done a good job under adverse conditions. He had shown himself able to work with Tammany Hall without being regarded as a Tammany man. Still in early middle age, endowed with an honored name, possessing an ample background of education and culture, along with a creditable record of political experience, his prospects seemed better than those of any one else in sight.

So the Roosevelt boom made an early start and soon gained considerable headway. The first serious obstacle that it encountered was the danger of a break with the Tammany organization over the charges which led to the Hofstadter-Seabury investigation. This danger, through adroit handling, appears to have been averted. More formidable, however,

and much more surprising, has been the thinly veiled opposition of Alfred E. Smith. This opposition first came authoritatively to public notice through Mr. Smith's announcement that he "would accept the nomination if the party tendered it to him but would make no active campaign for it." Then he went a step further by giving written consent to the entry of delegates to himself in several State primaries, notably in Massachusetts and in Pennsylvania. This was a definitely anti-Roosevelt move. It has given Mr. Smith a block of delegates which may be considerably increased. Other incidents have served to widen the breach, and there is now every reason to believe that the Smith hostility to Roosevelt is reciprocated by an equally strong resentment on Roosevelt's part.

This antagonism does not augur well for harmony at the Chicago convention. If the Smith quest for delegates should prove successful to the extent of gathering enough strength to prevent a nomination under the two-thirds rule, there is some likelihood that the McAdoo-Smith convulsion of 1924 will have its repetition in a Roosevelt-Smith fracas of 1932. Any such mix-up would greatly simplify the problem which faces the Republicans next November. The probabilities are that it will not come to pass, yet its occurrence would not be out of consonance with the Democratic tradition that the right time for a quarrel is when you have a good chance to win.

The workings of Mr. Smith's nimble mind at this juncture are not clear to those who stand outside his immediate circle of advisers. Does he really believe, as he is reported to have said, that he lost the election of 1928 because of faulty organization? No perfection of his political mechanism would have given him victory four years ago, and a man of his political acumen ought to realize it. Does he expect any one to believe that the young voters were with him at the

last election and that "if the voting age had been 18 years he would have taken Mr. Hoover to the laundry"?

Such sayings would seem to indicate that the head beneath the brown derby is not as level as it used to be. For it is clear to any unbiased observer that Governor Smith had no chance of being elected four years ago and that he has no chance of obtaining the Democratic nomination this year. Furthermore, if by any miracle he should win the nomination again, his defeat for the second time would be as strong a probability as one can ever foresee among the sinuosities of politics. Accordingly, Mr. Smith is either deluding himself, which is not likely, or his design is to block the nomination of Roosevelt at all costs, even to the extent of waging a finish fight in the convention. That such action would be a service to his party is hard to believe.

As the situation shapes itself today there is no likelihood that any candidate will be nominated on the first ballot, or even on an early ballot. Favorite sons and dark horses will be in the early running. Governor Ritchie of Maryland is within the range of possibilities, although his aggressive anti-prohibitionist attitude will undoubtedly cause him to be looked upon with misgivings by the dry delegations from the Southern States. Senator James Hamilton Lewis of Illinois has pocketed the delegation from that State, fifty-eight in number, but there is no assurance that it will stay with him after the first few ballots. Governor Byrd of Virginia and James A. Reed of Missouri will have the delegations from their respective States.

The boom for Speaker John N. Garner, which William Randolph Hearst set in motion during the early months of 1932, has failed to gain momentum, despite the enthusiastic support given to it by William G. McAdoo. And as for the candidacy of Governor Murray, otherwise known as "Alfalfa Bill from Oklahoma," it has raised more dust than delegates. The nomination will not go South or West this year if the Eastern Democrats can prevent it.

Dark horses will be as plentiful as ever this June, but most of them will hardly get beyond the paddock. Among the ebony equines to whom the Democratic convention may turn, however, in case of a serious deadlock, Newton D. Baker has fair claim to be regarded as the leading pre-convention prospect. His intellectual competence, his ability as a speaker, his strength with the liberal elements in both political parties, his reputation as a "moderate" wet and his geographical location are factors that give him availability in case a compromise becomes essential.

Historians will look back upon the pre-convention months of 1932 as having been devoid of much political excitement and lacking in impressive events. The electorate, as a whole, has shown a surprisingly small amount of active interest in the primary contests. Its mind has not been chiefly concerned with politics or politicians but with the urgent economic problems which have come close to every American home. This electoral lassitude may persist, even after the nominations have been made, but it is more likely to vanish as the campaign progresses.

# Why This Political Apathy?

By JAY FRANKLIN  
*Author of "What America Needs"*

WHY is it that in this the third year of the most serious economic depression in the recent history of America there should be no sign of anything approaching a major political reaction to the real and inexcusable hardships now being experienced by the 120,000,000 inhabitants of the wealthiest country in the world? Six or eight million of men are unemployed; banks have been closing; wages and prices have been cut; the farmer looks back on the deflation of 1920 as "the good old days"; the professional politicians are rushing around in circles uttering ominous and incautious howls, and the police in a score of cities seem bent on proving that they are capable of law enforcement when it comes to the unemployed. Now, if ever, is the time, when, by all the computations of the Communists and in the light of history, there should be a great radical upheaval in American politics.

Neither a birdseye view of American politics nor the ear close to the ground can detect anything more radical than the possibility that the Democratic vote may be vastly enlarged. The herd of voters stands, like Texas cattle, with their backs to the storm, lowing uneasily but, with the political lightning flashing from every point of the compass, unable to stampede in any direction. Where Russia produced its Third International, Italy its fascism, Germany its Hitlerites and England its National Government, the United States presents a picture of political stolidity and of public apathy without parallel in modern politics.

Men have gone out from Washington and New York under confidential

instructions to discover what the American people were thinking about politics. They have sought diligently and have reported back that the American people are thinking about the baseball season, Greta Garbo, Amos 'n' Andy and the Lindbergh baby. So far as political reaction to depression is concerned, the attitude may be summed up in the statement: "Well, next time we'll have to be more careful!"

There will be no "third party" movement in 1932, unless the Smith wing of the Democratic party decides to break away from the regular party organization, much as the Gold Democrats deserted Bryan during the Free Silver campaign of 1896. There is no party of "protest," such as the Populists of the '90s, of any significance. Progressivism, socialism and communism are alike without any considerable following in these perilous times. All in all, the American people are confronting the Presidential election with a calmness which is both devastating and disconcerting to the plans of the conservatives in both parties to raise a "radical scare" against any progressive candidate or liberal platform, as well as to the liberals who had hoped to arouse the voters to great gusts of enthusiasm for the various panaceas which have been so widely peddled ever since we became conscious of the Five-Year Plan.

Not only is there no radical political movement visible in this Presidential year but there is an astonishing dearth of any form of radical leadership. As a matter of cold, practical fact, President Hoover's measures of economic amelioration, the farm loan

act and the Reconstruction Finance Corporation, come closer to radicalism and socialism—in the light of traditional American political theory—than the worst that was ever alleged of Eugene V. Debs. Although ex-Governor Smith took pains to brand Governor Roosevelt as a "demagogue" for expressing a conviction that economic statesmanship should concern itself with the common man rather than with the financial agencies which apply capitalism to that common man, no one in his senses can possibly regard Franklin Roosevelt's politics as being anything but old-fashioned, middle-of-the-road liberalism, flavored with Wilsonian idealism. Smith himself is about as far from radicalism as the Empire State Building is from the Fulton Fish Market.

Governor Ritchie of Maryland has been called many things, but never a radical. Did he not once say that public regulation of utilities was a sort of communism? Newton D. Baker is a scholarly liberal of the academic type represented in American politics by Woodrow Wilson. "Alfalfa Bill" Murray, the wild and woolly Governor of Oklahoma, is almost neolithic in his views on political progress and represents the best economic thought of the canal boat era in American history. Norman Thomas, the courteous and erudite clergyman, who is slowly ridding the American Socialist party of its exotic characteristics, represents a school of political opinion which reached its height when Bernard Shaw was a rising young dramatist and the idea of old age pensions was new. You can scan the American horizon and you cannot find a single "Sockless Jerry" Simpson, a Boy Orator from the Platte or a Coxey's Army.

Political leadership has been practically bred out of our public life by the past twenty years of economic and political administration. Today it is considered presumptuous and all but indecent for any junior in business or politics to have articulate ideas on

national affairs and public policy. The "yes-man" has been exalted and coddled so enthusiastically by our big banks and our big political institutions that the banks are practically insolvent and our policies are running down like an unwound clock. The production of civic morons to protect the political and economic interests of our business leaders has been a major feature of political administration in the United States for the past generation.

For almost twenty years, it should be remembered, there has been virtually no political progress in the United States. The enactment of the Eighteenth Amendment—which is about to be repealed or nullified—and of the Nineteenth—which has solved no real political problem in the United States—represents the only major advance in politics by the American people since the first Wilson Administration. After Wilson the country was tired of leadership and submitted to eight years of political stagnation. It was President Hoover's political tragedy that he did not—or could not—grasp the realization that the American people desired and expected fresh leadership after the election of 1928. By the end of 1930, when events had made it clear beyond a doubt that the entire nation was waiting for a clear call to unity and action from the White House, it was too late. The Congressional elections had lost the President his party control of Congress, and our political history since then has been one of cross-purposes.

Finally, one must not forget that for the last generation politics and politicians have been subject to a vicious, sustained and stupefying attack from business leaders. Politicians have been branded in the public eye as stupid, cowardly and corrupt; torrents of mud and vilification have greeted any attempt at leadership along any but the most conventional lines. Mud has a habit of sticking—which is why it is so freely used—and as a result no man who values his family privacy or his mental serenity

has dared light-heartedly to enter the great game of politics, where a man who believes that striking miners are entitled to the protection of the Bill of Rights is regarded as a Bolshevik, while the Congressman who votes a monopolistic tariff rate to a powerful industry is praised for his conservative and practical statesmanship. In the circumstances which have prevailed in America for the past twenty years it is a miracle that even mildly liberal principles of political progress have survived; certainly no radical leadership in either great party has been possible.

The natural and inevitable result is that the American electorate has been schooled to political apathy as a sort of civic virtue. There is much to be said for this; it greatly resembles the quality of the traditional British General, whom the Germans accused of being so stupid that he did not know when he was beaten. On the other hand, the reasons for American political apathy at this time run somewhat deeper than the mere absence of vigorous leadership.

We are a quite different nation from that which backed up Theodore Roosevelt in his "trust-busting" days and elected Woodrow Wilson to the Presidency in 1912. In fact, about 20,000,000 Americans who were of voting age at that time are now dead and 20,000,000 more Americans have come of voting age since the World War, not to mention the stream of foreign immigration which brought several millions of aliens to our shores between 1918 and 1930. We have developed a post-war electorate, and that means that it will not and does not behave with the same light-hearted abandon which characterized the American people before the World War brought us into world politics.

First and foremost, we have been through the World War. Apart from its other causes, it is obvious that the war was partly the result of highly-trained and specialized national leadership in the belligerent countries.

Some have gone so far as to say that the war was the price the world had to pay for having maintained diplomatic services. This is a libel on diplomacy, but there is a good deal to justify the suspicion that a less clever and self-conscious type of leadership in the Western nations would have failed to realize the logical necessity for plunging humanity into a sea of blood, suffering, hardship and debt.

As it was, the American people became so impressed with the price it had to pay, in terms of domestic repression and disorganization, for the world ideals voiced by President Wilson, that it would have elected any Republican nominee in 1920, and will probably never again elect a college president to the Chief Magistracy of the United States. The nationalistic reaction to the Hoover moratorium of 1931 and the consequent paralysis of American financial foreign policy during the most critical period of the entire post-war financial reconstruction demonstrates clearly that it is still the proud credo of the American isolationist that his women are above reproach and his diplomats beneath contempt.

The second, and most powerful, factor in inoculating the American electorate against radicalism in the election of 1932 is the fact that we have witnessed the Russian revolution. This consideration, which goes far deeper than all the normal charges and countercharges of the radicals and reactionaries, ignores the propaganda and prejudices which have befogged every angle of the Soviet experiment. The plain fact is that the American people puts communism in the "not proved" class. We are not as instinctively hostile to it as our traditional individualists maintain; neither are we so predisposed to acceptance as is argued by the economists who compare the rationalization of American big business with the economic rationalization of the Five-Year Planners.

Most students of American opinion

on the subject of Soviet Russia will agree that we regard Russia with neither fear nor envy, but simply with a fascinated and rather squeamish interest. We admire the direct processes of Soviet administration, and at the same time are keenly aware that a price is being paid by the Russian people for an experiment which is not yet a demonstrable and permanent success. We are inclined to hope that no outside force will interfere with the untrammeled working-out of communism, so that we can discover, once for all, whether we are right in believing that radical politics is no substitute for economic laws, as we know them.

Our caution is powerfully reinforced at this point by the fate of national prohibition, the Eighteenth Amendment, the Volstead act and Senator Jones's famous "Five-and-Ten Law." Before 1920 we were great believers in the idea that a law would solve everything from financial maladjustment to moral laxity. For generations America had been the land of the panacea. There was no idea so crazy that it did not attract a following, produce a national organization and result in a long-continued propaganda for its legal enactment. The history of American frenzies would make a volume in itself. The panacea-complex in American life produced a crop of faddists and fanatics which culminated in "the lunatic fringe" of the Roosevelt and Wilson era.

National prohibition was the great, single expression of this pathetic belief that deeply rooted human instincts for personal liberty and deeply seated racial habits and customs could be wiped out by a single law. We have now had twelve years of such a law and it is painfully obvious that it has not worked. Whatever the cause, the result is the appearance of that interesting institution, the well-run and respectable speakeasy, and of that national figure, the bootlegger, with his little phials of juniper es-

sence, his tin cans of industrial alcohol, his Scotch "straight off the boat," his high-powered limousine and his potent bank account. While a very respectable section of the electorate still believes that prohibition can be made to work if it is sincerely enforced, it is obvious that even among prohibitionists there is a feeling that the success of the law lies not in the law itself but in a campaign of education to make people obey the law.

As a result, the average American is extremely skeptical about the possibility of altering human nature or profoundly modifying economic behavior by means of politics. If a law, designed to encourage thrift and temperance, embedded in the Constitution so as to discourage legislative tampering, enforced by State and nation, backed by the forces of organized business and of organized religion, failed to work itself out constructively after a trial of twelve years, does any one expect the American voter to be hopeful that he can improve his economic lot and insure national prosperity simply by voting for a logical program of radical reform?

The combined impact of the war, Russia and prohibition has left us politically sobered to a salutary degree. It appears almost as if the long reign of the panacea in American politics were over. For example, although the lobby of the professional veterans has been arguing that the way to produce prosperity is to print a lot of bonus money and turn the Treasury into a bank for the veterans, no serious belief is entertained even among the advocates of the bonus that this is the road to national recovery. The Communists—who used inflation as a means of destroying the remnants of the Czarist régime—are the only political group which is loudly favoring this type of inflation as a means of restoring prosperity. If Congress votes a cash bonus it will be only through fear of political reprisals by the veterans, not because

more than a handful of Congressmen believe that the wholesale distribution of fiat money is a cure for our economic evils.

And finally, the genius and temper of the American people favor political simplification. For that reason no third-party movement stands the ghost of a chance in America. One or both of the older parties may well be displaced by a new political grouping, just as the Republicans in 1856 displaced the Whigs. But the development of numerous political parties or blocs, in the European manner, is entirely alien to our political habits. Every now and then some ambitious or disappointed politician—a Roosevelt in 1912 or a La Follette in 1924—forms a personal party, but the party does not survive the election and disappears without a trace. The American voter prefers to vote for men rather than for ideas and for parties rather than for individual leaders.

In 1932 there will be little sympathy with or toleration for any political movement which will obscure the simple issue of the election as it appears to the mass of the voters. This issue is so simple that the professional politicians of both parties will be baffled by it until the morning after election day. For the Republicans the issue is: Shall we swap horses while crossing the stream of economic depression? For the Democrats the issue is: Shall we change our luck at the economic poker game, if we turn our political coat inside out, and install a Democrat in the White House? Nobody knows whether matters will be so grave or so promising by election day that the Americans will decide to fight it out on that line if it takes four more years of Hoover. Nobody knows whether the national resentment at hard times and the disgust at the miscarriage of Republican

promises in 1928 of greater prosperity will persist with sufficient force to "turn the rascals out" of every elective office in America.

There is only one type of political development which can seriously modify the fundamental decorum and simplicity of the election of 1932. Every thinking American realizes that there is no longer any real difference between Republicans and Democrats, that campaign promises are never kept in their entirety, and that neither party can divest itself of its economic and geographic past or become a party of political ideas pledged to political action. The indifference of an American electorate which rarely votes more than 60 per cent of its total strength may yet be capitalized, not by radicals and not by reactionaries but by an extra-party movement along national lines among millions of American citizens who do not normally trouble to vote and who are becoming thoroughly impatient with the tension between President and Congress, with the subservience of Congress to special political interests—witness the tariff, prohibition and the bonus—and with the absence of any clear-cut and vigorous leadership in national politics.

Already there is a stir in the political treetops which suggests that there may be an end to the patience of the average little man who pays the taxes, rears his family, holds his job and does not bother his Congressman whenever his brother-in-law is out of work. If an extra-party movement should take form it may well lead to an abrupt change in the temper and character of an election which otherwise promises to be one of the least radical and most conventional attempts to register the popular will by the ballot in American political history.

# The Soviets Prepare for War

By ELIAS TOBENKIN

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**I**N the Soviet Union preparedness for war is preached and practiced with an intensity and on a scale unknown in any other country that is at peace. Hand in hand with the government's stupendous industrial and agricultural program go gigantic military preparations. Young and old of both sexes share in these preparations, and all are made to pay for them. Every section of the Soviet population is made to feel the pinch of want and the chronic shortage of commodities occasioned, in large part, by the government's war economies.

The warehouses where commodities are stored are under strict military guard. At the doors of factories, particularly those connected in some way with the production of war materials, soldiers with gleaming bayonets are stationed, and the visitor must show a properly authorized pass before he is permitted to enter.

The Soviet home is run on a war basis. Bread, fish and cabbage are rationed; eggs, milk and butter, when available, are reserved for infants and invalids; potatoes and meat are scarce; sugar is a luxury and, for months at a time, tea is unknown in many parts of the country. Office, factory and bank employes hold regular drills in wearing and adjusting gas masks. School curricula have been modified to train pupils simultaneously for war and peace.

A spy mania exists. Soviet citizens are warned to guard their speech because agents of "foreign militarism" are about. They are cautioned especially against intimacy with foreigners living in the Soviet Union. Russians who are obliged to deal with

aliens, whether temporary visitors or foreign technical experts employed by the government, are instructed to carry on their transactions with a maximum of politeness and a minimum of words. After work and office hours the Russian leaves the foreigner severely alone. The spirit of the Russian people, the press, the theatre and the arts have been mobilized along military lines. And the Red Army abides by the Stalin slogan of "attaining and surpassing" the Western World.

Amazing as it may seem, this vast military superstructure has been reared entirely on a foundation of pacifism. The peace aims of the Soviet Union are stressed continually by its governmental spokesmen—its willingness to enter non-aggression pacts, its offers to disarm completely or in part. Stalin's statement that the Soviet Republic has no imperialistic designs and is not seeking a foot of foreign soil has been brought to the attention of all Russians—men, women and children—who are asked to support the government's military program. They have been assured that the only war in which they will be asked to fight will be for the integrity of the Soviet frontiers—a defensive war. In spite of frequent protests against the government's economic program, the country is united in its support of the Kremlin's policy of defense.

Under the Soviet flag there live 180 separate nationalities speaking 150 different languages and dialects. Each of these nationalities has been taught in its own tongue the aim of the government's defense program; each has become imbued with the

belief that the principal capitalist nations of the world are united upon an anti-Soviet platform and stand ready to invade and dismember Russia. On posters throughout the Soviet Union the "war danger" has been brought to them in such expressions as these: "The world bourgeoisie are preparing to execute a surgical operation upon Bolshevism. \* \* \* The capitalist class is plotting a holy war against the Soviet Republic. \* \* \* France is welding our neighbors into an iron ring about us. \* \* \* Poland and Rumania have concluded a military agreement against the fatherland of the proletariat. \* \* \* England is establishing naval bases in Rumania and Finland—what for? \* \* \* Czechoslovakia has been drawn into our enemy chain. \* \* \* The French navy has been placed at the disposal of Poland in the event that the latter attacks the Soviets. \* \* \*"

The war psychology—some insist on calling it "war psychosis"—of the Soviet Union has its foundation in Socialist dogma. Karl Marx, more than half a century ago, pointed out the "fundamental antagonism" between capitalism and socialism and maintained that a recourse to arms would ultimately be necessary to determine which of the two should inherit the earth. Lenin, the first to attempt to test Marxism as a system governing an entire country, warned his followers shortly after the Bolshevik revolution in Russia that "the existence of the Soviet Republic side by side with imperialist governments for any considerable length of time is unthinkable" and that a war between Communist Russia and capitalist Europe is inevitable.

Stalin expressed the conflict even more bluntly at a recent party convention in Moscow. "There are people," he said, "who think that it is possible for us to conduct a revolutionary foreign policy and have the bourgeoisie of Western Europe kiss our hand for it. Such people can have nothing in common with our party.

\* \* \* We are doing something in the Soviet Union the success of which will turn the world upside down. Our continued existence revolutionizes the working classes of other countries."

The Kremlin leaders do not believe that the present world-wide depression is something that will cure itself, as was the case with industrial crises and panics in the past. They regard the present economic disorganization as evidence of the collapse of capitalism as a social system. They predict that from the economic crisis everywhere there will evolve a political crisis, a "sharpening of class divisions in all bourgeois countries." The upper and middle classes, they assert, will everywhere seek a way out in fascism, while the working classes will tend to become more and more revolutionary. This situation, it is believed, will be still more aggravated by "colonial revolts" in India, China, Indo-China and elsewhere.

The final attempt of the bourgeois governments to allay domestic strife and to compose colonial difficulties, so the Kremlin predicts, will be a foreign war, which, no matter where it begins or for what reason, will soon resolve itself into a war against the Soviet Union as the fountain head of world proletarian unrest. "Red Moscow," Climenti Voroshilov, Soviet War Commissar, recently warned his countrymen, will be made responsible for the mistakes and failures which capitalism has been piling up since the World War.

The evidence that public sentiment all over the world is being mobilized for a war with the Soviet Union is to be found in a series of international "incidents" which, the Kremlin says, can be interpreted only as acts presaging intervention by the leading bourgeois governments in the affairs of the Soviet Union. Included in the list of such "incidents" are the assassination of the Soviet Ambassadors, Vorovsky and Voikov, the former at Geneva, the latter at Warsaw, and a number of other attempts on the lives

of Soviet officials. The so-called clerical campaign, as the Russians term the protests by the Pope, the Church of England and the clergy of the United States against the Soviet's treatment of religion, is considered by Moscow in the light of a clarion call to war on the Soviet Republic. The disappearance of the "White Russian" general, Kutiepov, in Paris and the attempt to link the Soviet Government with his disappearance is declared to be of similar intent—to inflame public opinion everywhere against the Soviet Union. The Kremlin takes the same view of the so-called Amtorg falsifications and the activities of the Fish committee in the United States.

Most important among these "incidents" which the Soviets consider as inevitably leading to war with the capitalist world is the campaign everywhere against Soviet imports which are alleged to be products of forced or prison labor. The Soviet Government declares these charges to be baseless, and quotes Bismarck's famous saying that "never do people lie so much as just before the outbreak of a war."

It would be underestimating the sense of realism of the Soviet Government, which is known to be as keen as that of any other European government, to assume that Communist dogma alone could inspire such intense war preparations as those carried on in the Soviet Union. Territorial differences exist between the Soviet Republic and four of its six immediate European neighbors. These serve as a perpetual source of dispute. Moreover, the Russians see a distinct threat of war in the failure of each of the successive disarmament conferences. They consider that these conferences were deliberately "sabotaged" by the principal capitalist governments, particularly by France.

Some obscure town on either the Polish or Rumanian border will be the Sarajevo of the next war in Eastern Europe, but it is France that will be directly charged with responsibility for such a war. It is against France

that the Soviets are most bitter. "France," says a Bolshevik broadcast, "is the most implacable foe of the Soviet Union." The French general staff is charged with formulating the war policies of Poland and Rumania; French banks are charged with financing their armies.

France was the largest Russian creditor under the old régime and was the heaviest loser as the result of the Bolshevik upheaval. Russian industry, railroads, mines and metal factories were, to a large extent, owned by French capitalists. Russian banks were under French control. But there are other complications between Moscow and Paris. The Soviets, indirectly, are in conflict with French influence in the Far East. French bankers financed the Chinese end of the Chinese Eastern Railroad, which is jointly owned by Russia and China, and the final disposition of which is a matter of grave complication.

The attempt of the late Aristide Briand to organize a "United States of Europe" was looked upon in Moscow as nothing more than a means to isolate the Soviet Republic from the rest of Europe. Precisely the same attitude was assumed by the Soviet Government toward the more recent plan of M. Tardieu for an economic union of the Danubian States. Moscow branded this effort as another French scheme to unite the small nations of Europe into a single anti-Soviet bloc. The Soviet Foreign Office is convinced that a "union between France and Japan is already an accomplished fact" and that when war does come the Soviet Republic will be called upon to defend itself simultaneously on both its European and Asiatic borders.

The antagonism between the Soviet Union and France comes to a head over the treatment which the French Government accords to the so-called White Russian émigrés living in France. It is estimated by the Kremlin that 1,250,000 former Czarist officials, military men and landowners

fled from Russia after the Bolshevik revolution. Nearly 500,000 of these exiles reside in Germany, but it is those living on French soil who are the most stubborn opponents of the Soviet régime. Moscow asserts that the 400,000 Russians in France are, for the most part, military men and that they maintain the apparatus of what might be termed a White Russian State. They not only keep intact certain units of the Czar's army, which left Russia in a body, but also are training a new White army on French soil. At the first outbreak of war Moscow expects these émigrés to join the enemies of the Soviet in the hope of smashing the Communist régime and setting up a new government in Moscow. In their propaganda literature the Soviets accuse the French Government with being a direct accomplice in the plans and conspiracies that are being hatched in Paris by the Czarist officers and some of the former Russian Grand Dukes.

Although the Soviet Union and Poland have been at peace since 1920, it is Poland that, after France, is considered by Russia as the principal enemy. The Poles do not deny this. "Our army stands at the frontier of two worlds," a Polish statesman said recently, "the capitalist world on the one side and the Communist world on the other." And from the Communists comes the cry, "Over the dead body of Poland to an all-world conflagration."

Between 1922 and 1928 twenty-two munitions plants were constructed in Poland, while the total number of workers employed in the production of war materials has risen to more than 60,000. Between 50 and 70 per cent of Poland's national budget, according to the calculation of Moscow, is devoted to military expenditures, and year by year these have progressively increased. In 1928 Poland's war budget amounted to \$85,500,000; in 1929 it rose to \$91,000,000, in 1930 to \$95,000,000 and in 1931 to \$96,500,000.

"Incidents" on the Polish-Soviet frontier of the type that frequently precede a war of late have become numerous. According to official Polish figures Polish military courts during a six-month period condemned fifty-nine persons to death on charges of espionage on behalf of Russia. The Soviet Government, on the other hand, recently declared that Polish terrorists were "hiding in Polish diplomatic uniforms" in Moscow and were directing plots on Soviet soil.

The prevailing opinion among Soviet officials is that Poland's intensive war preparations are motivated by aggression rather than by defense. It expects to emerge from a war with the Soviet Union as a "Greater Poland," as a "Poland from Sea to Sea," the dream of the more militaristic elements of the country for years. The hope is for a Poland stretching from the Baltic to the Black Sea, with the port of Odessa and that part of the Ukraine which leads to it—one of the most fertile areas in Europe. The military groups want portions of White Russia and expect to be rewarded with these territories in the course of the dismemberment of Russia which, as they anticipate, will follow a victory over the Soviet Union.

Between the Soviet Union and Rumania no treaty of any sort exists and there is no commercial or diplomatic exchange between the two countries. The Soviet Government has never recognized Rumania's seizure of Bessarabia and disregards completely the sanction of the Versailles treaty in the matter.

Rumania's war budget in 1931 was \$65,500,000, which, in proportion to population, exceeds even the Polish budget. Military aviation, to mention but a single form of armament, has grown to colossal proportions for so small a country. Rumania had only sixty war planes in 1923; today the number is 280. Furthermore, the Soviets insist that there is an agreement between Rumania and France which stipulates that in the event of

a war with the Soviet Union the French Government will supply Rumania with additional aircraft, with tanks and with chemical equipment for warfare.

The general staffs of Poland and Rumania openly cooperate with each other and the combined staffs of these countries are closely connected with the French general staff in Paris. An agreement between Poland and Czechoslovakia provides for the unhindered passage of French ammunition through that country to Poland and thence to the Soviet border.

Estonia is another link in the chain of border States which forms a sort of *cordon sanitaire* about the Soviet Republic and keeps Bolshevik civilization from coming into direct contact with the countries of Central and Western Europe. Estonia, too, has her territorial ambitions and border grievances. The Estonians believe their territory should extend not to Narva but to Novgorod, in the Soviet Union. Estonia's war budget is only \$5,000,-000, but in the event of a war with the Soviet Union the country would possess strategic importance for an offensive by other capitalist nations.

Finland lays claim to the small, adjacent Soviet Republic of Karelia, whose population is largely of Finnish stock. But as Finland's war budget has remained at \$14,200,000 since 1928, the menace to Soviet Russia would not seem to be very great.

Old Russia was never very successful in carrying on war. Ethnological and geographical conditions, together with a certain genius for foreign diplomacy, favored the expansion policy of the Czars. Throughout the thirteenth and fourteenth centuries and part of the fifteenth, Russia paid tribute to the Tartars, a much smaller but more warlike and determined people. Ivan the Terrible ended this Mongolian menace, but his successors were harassed and humiliated by Lithuanian and Polish nobles. Peter the Great imported foreign officers and organized Russia's first modern

army, but it was beaten by the Swedes. In the middle of the nineteenth century Great Britain and France prevented Russian expansion at the expense of the Ottoman empire. And at the opening of the twentieth century Russia was beaten by the Japanese.

Under the Czars the loss of a foreign war was invariably followed by a grave domestic upheaval. Russia's defeat at Port Arthur, for example, ushered in the revolution of 1905, while her débâcle in the World War cost Nicholas II not only his throne but his life. The Kremlin dictators have taken complete and poignant account of these historically significant facts. The preparedness program of the Soviet Union is predicated upon the determination that in the next war Russia shall not be defeated.

The Five-Year Plan, which aims to make the Soviet Union independent of the rest of the world in raw materials and machinery, is the foundation upon which the Kremlin has built its plans for victory. Another move in this direction is the sincere disclaimer by the Soviet Government to its people of any imperialistic designs. In the next war the Russian soldier will be asked to fight in defense of his country only and not for territorial or colonial aggrandizement. The third and most dramatic step to insure victory of the Soviet Union in a future war is the universal militarization of the Soviet population, of Soviet industry, of the Soviet mind. Every ablebodied person is a soldier, actually or potentially; every factory is an arsenal; every peasant hut a fortress.

The Red army numbers 560,000 soldiers, one-third the size of the Russian army under the Czar. This is an average of one soldier to every 240 persons in the Soviet Union; in Poland the proportion is one to eighty, while in France there is one soldier for every sixty civilians. "How do you account for the smallness of your standing army in view of your assertions that the peace of the Soviet Union is continually threatened by

its capitalistic neighbors?" the writer asked an important Soviet official in Moscow. He replied laconically: "The Red army is not an army of soldiers, but of officers, of commanders, as we call them. Our soldiers are *the whole of the Russian people.*" The answer was not a flourish, but a statement of fact. The Soviet Union has undergone a military revolution as thorough as the political, social and economic transformation.

In the Soviet Union every citizen is familiar with some branch of military science and war tactics; 60,000,000 children under 17 years of age receive military training in connection with their school work; 60,000 "military circles" are conducted by the Osoaviachim, the Soviet Union's national security society for the training of workers, clerks and office holders. The Osoaviachim has 12,000,000 members. Every factory, every agricultural collective has its military club. The universities are schools of army tactics. Sport has been militarized.

The Comsomols, or League of Communist Youth, has 5,000,000 members between the ages of 16 and 23 who are given specialized courses in addition to the regular military training required of all school and factory youths. Their training so nearly approximates that of the regular soldier that they are usually spoken of as the country's "junior army."

Women, 2,000,000 of them, are being prepared in case of war to take the place of men on the farms, in industry, in commerce and as city officials. And 250,000 are training for regular army service; in 1930 fifty

women were admitted to the higher military academies to study for the positions of officer or commander.

Because of the lack of proper railroad facilities the Soviet Government is developing aviation to a high degree. In the past year 150,000,000 rubles (about \$75,000,000) was spent on aviation, and by the end of 1932 the air routes of the country are expected to reach 69,270 miles.

A body of 100,000 men has been trained to give instruction to the people in methods of defending themselves against chemical and poison-gas warfare. Moreover, there is widespread military standardization of all objects that can be used both in war and peace. Thus, the boots sold to the peasant are of a type used in the army.

The Soviet Government's own estimate of its military strength and fitness was recently given by L. M. Kaganovich, a member of the all-powerful Politburo, and next to Joseph Stalin and Premier Molotov the strongest man in the Communist party of Russia. "To our enemies at home and abroad," Kaganovich said, "we wish to state that our army is growing and becoming stronger day by day. It consists of the working class, of the collectivized farm laborers, of the poor peasants. Our organized forces include 11,000,000 members of trade unions, 9,000,000 members of voluntary defense organizations, more than 1,000,000 delegates to the Soviets, 5,000,000 members of the League of Communist Youth and 4,000,000 pioneers. The leaders of this army are 2,000,000 members of the Communist party, the best organized proletarian party in the world."

# Economic Planning Under Our Laws

By WALTER J. SHEPARD

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AS the economic depression continues unabated, an increasing number of voices are heard demanding that the present system of business organization be radically altered; that for the principle of "rugged individualism" there be substituted some scheme of national planning. Coming as they do not only from Socialists and radicals, from academic theorists and journalistic doctrinaires, but from some of the most experienced and substantial captains of industry, these expressions of fundamental disillusionment must give us pause. When men like Mr. Gerard Swope and Mr. Owen D. Young, when organizations like the United States Chamber of Commerce, insist that the old system of *laissez faire* can no longer serve the needs of an increasingly interdependent economic and social system, we can scarcely dismiss their proposals for national planning, as does President Hoover, as "an infection from the slogan of the 'Five-Year Plan' through which Russia is struggling to redeem herself from the ten years of starvation and misery."

The various concrete plans that have been proposed differ in many substantial respects, but those which deserve serious consideration all embody some element of governmental control as well as a large degree of voluntary cooperation by business. In all there is recognition that government must assume a larger rôle in business, and that this rôle must to some extent be that of coercive authority. There has been little consideration of the constitutional grounds upon which this control may be exercised. Dr. Charles A. Beard, whose

plan\* goes furthest, admits that constitutional changes may be necessary, though he asserts that "in all this there is no departure from concepts now well established in American law."

The purpose of all the proposed plans is to stabilize industry, to eliminate as far as possible periods of depression, to insure continuous employment for the nation's workers. To achieve this result production and consumption must be balanced. This clearly involves what Europeans call "the rationalization of industry," the limitation of output to probable consumptive demand and the allocation to each unit of an industry of its productive quota. It further requires a cessation of competition and the establishment of uniform prices, the maintenance of standard wage scales and some system of unemployment insurance, if not of employment assurance. These constitute the minima of any system of national planning.

There seems to be general agreement that to accomplish any such program the anti-trust laws must be repealed. These emanate from the period when the prevailing fear centred in the menace of monopoly. They were designed to curb the growing tendency toward industrial combination. National planning accepts the principle of a unified system of production and only insists that it shall function in the public interest and not merely serve to increase private profits. But

\*See *America Faces the Future*. Edited by Charles A. Beard. Boston: Houghton Mifflin Company, 1932. \$3. This volume contains Dr. Beard's and various other national economic plans.

the restraints of anti-trust legislation must not be withdrawn without assurance that the interests of consumers, workers and the public generally are safeguarded. Furthermore, there is no reason to believe that the organization of all units of an industry into a national system is possible without the coercive assistance of law. There must be some means of compelling recalcitrant individuals and corporations to enter and participate in the general plan.

It is thus evident that legislation will be required to compel individual industrial units to accept membership in trade associations or syndicates; to establish governmental agencies with legal authority to approve or effectively disapprove particular trade practices; to limit the production of particular units; to enforce uniform prices; to maintain standard scales of wages; to insure continuous employment to workers, or some satisfactory system of unemployment insurance; and to exercise such other supervisory powers as may be necessary to the effective operation of a nationally organized system of industry in which production is planned with reference to consumptive demand. It is probable that an effective coordination of production and consumption will involve one additional governmental control—namely, the limitation of profits.

One might cynically suggest that "national planning" is simply a euphemism for "socialism." We have been taught that the capitalistic system consists essentially of the elements of free enterprise, unrestricted control of the management of business and the right to unlimited profits. All these are seriously impaired, if not destroyed, by the system of governmental and legal controls which it is agreed are necessary to any effective scheme of national planning. What is left are certain limited rights to management and certain limited rights to profits, and these are, under the prospective system of gigantic cor-

porate organizations, effectively divorced from one another. The shareholder sinks into the position of a mere investor in securities, indistinguishable from the bondholder save that his right to a return is contingent within limits instead of determined and fixed. The directorates and managers function within the limits of a determined plan that leaves them little scope for initiative or generalship. But this is what has already occurred with respect to the railroads, now operating under the supervision of the Interstate Commerce Commission and subject to legal restraints enacted by Congress. Perhaps we can best envisage the scope and nature of a planned economy if we project the existing organization, management and control of the railroads into every branch and element of industry.

The question of whether such an extension of government control of business is possible within the framework of our Federal Constitution and the jurisprudence which has been built up in its interpretation is one of great, though perhaps not of supreme, importance. There is always the possibility of constitutional amendment. A generation which has witnessed the modification of our fundamental law by the Sixteenth, Seventeenth, Eighteenth and Nineteenth Amendments, and which anticipates the speedy ratification of the amending proposal for the elimination of the "lame duck" sessions of Congress, not to speak of the possibility of a repeal of the Eighteenth Amendment, does not hold the Constitution as sacrosanct.

But it is not clearly evident that the accomplishment of a planned economy would necessitate formal constitutional change. It is possible that the courts would find means of validating even the most advanced proposals that have been offered under already accepted principles of constitutional interpretation. The question of constitutionality always embodies a large element of judicial discretion. The judicial process is not one of auto-

matic application of fixed principles to definite situations. As Mr. Justice Holmes has so well said, "the life of the law is not logic but experience." And while at times the Supreme Court may appear to reflect the experience and public opinion of the day before yesterday rather than of today, it never loses complete touch with the pulsating currents of economic and social life. Judicial decisions are after all the judgments of men—men, it is true, highly trained in the law, but men whose attitudes and points of view are influenced by the events that take place around them and by the revelation of the social and economic trends in a dynamic civilization.

There are indeed certain principles of constitutional interpretation, certain legal doctrines, which afford the means by which a planned economy might be approved by the courts as within the limits of the Federal Constitution. These principles would certainly have to be developed and enlarged far beyond their present application. This would require a breadth of view, a depth of understanding of the epochal character of the present economic situation which the Supreme Court may not possess. It would mean that the legal and social philosophy of such justices as Brandeis and Stone would have to become the prevailing philosophy of the court. But the trend of judicial decisions in the recent past and the appointment of Mr. Justice Cardozo to the court afford real promise of a movement in this direction.

The regulative authority of government in the American system finds its ultimate source in the so-called "police power," a vague and general right of government to establish such laws as are necessary for the protection of the life, health, morals and general welfare of the people. Strictly speaking, the police power is an attribute only of the State governments, the Federal Government possessing only such powers as are specifically granted to it by the Constitution. But effectively Congress also possesses

this regulative authority as incidental to the powers conferred upon it by the Constitution, particularly the powers to regulate interstate commerce and to lay and collect taxes. The police power is not unlimited. The fifth amendment to the Constitution forbids Congress to pass any law which shall "deprive any person of life, liberty or property without due process of law." A similar restraint is imposed upon the States by the Fourteenth Amendment. These due-process clauses of the Constitution are quite as vague and indeterminate as the "police power" which they limit. Both the scope of the police power and its limitations acquire definition only through the decisions of the courts in specific cases. To quote Professor Willoughby:

"Like the struggle between Ormazd and Ahriman, the contest between the restraining power of due process of law and the legitimizing energy of police control furnishes much of the material of present-day constitutional disputes. Those who favor an extension of State control would identify the police power with the being Ormazd, while those who view with fear further inroads upon individual liberty of action and the sanctity of private property rights would be disposed, no doubt, to view due process as the constitutional Ormazd, and the police power, in its wider extensions at least, as representing Ahriman."

With respect to the exercise of regulative control the courts have made a distinction, based upon an old common law doctrine, between those businesses which are purely private in nature and those which are "affected with a public interest." With respect to the latter a much wider field of control is permitted than in the former. But just what businesses are and what are not affected with a public interest has never been clearly determined.

In a case coming to the Supreme Court from Oklahoma and decided on March 20, 1932, the court held a State

statute which attempted to regulate the ice business unconstitutional. Mr. Justice Sutherland, in delivering the opinion of the court, declared that the ice business was no more a public business than dealing in groceries and shoes. But in a vigorous dissent, Mr. Justice Brandeis (supported by Mr. Justice Stone) asked, "What is a public business?" He observed that businesses once called private are now considered public, and referring to the present economic situation, remarked that on every hand "unbridled competition" was held to be the cause of difficulties.

The Colorado court has held that "we must take judicial notice of what has taken place in this and other States, and that the coal industry is vitally related, not only to other industries but to the health and even the life of the people. Food, shelter and heat before all others are the great necessities of life." This leads Professor Cushman to remark that "this is a line of reasoning which raises the query whether the courts may not yet come to the point of defining businesses 'affected with a public interest' in simple terms of human necessity." Should this development in judicial interpretation take place, the regulatory power of government now exercised in the field of so-called public utilities would be greatly extended.

A number of constitutional questions are definitely raised by the projects for national economic planning:

I. Shall the Federal Government or the States constitute the instrument for the necessary governmental regulation and control? Social planning may to some extent be achieved through State legislation, and, indeed, Governor Philip La Follette has offered to the Wisconsin Legislature a very interesting State plan, part of which has already been enacted into law. But it is evident that no really comprehensive and satisfactory national plan can be realized by the concurrent action of the several States. Apart from

the difficulty of securing agreement among the forty-eight Commonwealths, modern industry is so largely interstate in character that any attempt at regulation and control by the States would probably encounter the insuperable obstacle which the interstate commerce clause of the Federal Constitution presents.

II. Does Congress possess a regulatory authority, an effective police power, sufficiently broad to establish a national scheme of planned economy? The Federal Government is one of limited and specified powers. Congress can legislate only within the limits of those powers which have been given it by the Constitution. It is necessary, therefore, to find some specific grant or grants of power in the Constitution under which a plan for integrated and controlled industry might be established. It is undoubtedly in the power of Congress to regulate interstate commerce that we shall find such an authority, if it exists at all in the Federal Government. The power to lay and collect taxes may constitute a supplementary source of regulatory power.

III. Does the interstate commerce clause confer such a general power to regulate industry as a national plan would require? The decisions of the Supreme Court, while giving a fairly wide interpretation of the term "commerce," have excluded various business activities, such as manufacturing, from the regulatory power. The fact that a corporation is engaged in interstate commerce does not in itself warrant legal interference in those aspects of its business which are not commercial in character. On the other hand, the Supreme Court has upheld the Clayton act, which forbids various unfair practices such as discrimination in price between different purchasers of commodities, and in its more recent decisions has tended to enlarge the definition of commerce and to restrict more rigorously the States in any attempt to impose regulations upon businesses en-

gaged in interstate commerce. It should be a fair inference that to the extent that the States are not permitted to exercise a legitimate police power over businesses engaged in interstate commerce, Congress may exercise such control. But it is evident that here the courts will have to broaden their constitutional interpretation if a national economic plan is to be achieved.

IV. Does the doctrine of public interest afford a basis for justifying a broader regulative authority in Congress? This principle has been generally used in the past in support of State regulation of particular businesses which are deemed peculiarly public in character. The classification has been largely historical and rather arbitrary. Two lines of development in this doctrine are necessary in order to make it effectively useful in supporting a broad system of industrial control—its acceptance as applicable to regulations by Congress, and its expansion to include that wide range of businesses which are in fact of concern to the public, though hitherto considered as private.

V. To what extent may the due process clause of the Fifth Amendment be expected to interfere with a program of national planning? This is equivalent to the question of how far an individualistic philosophy will control the decisions of the Supreme Court. It may be said of the Fifth Amendment what Mr. Justice Holmes said of the Fourteenth, in his famous dissent in the *Lochner* case: "The Fourteenth Amendment does not enact Mr. Herbert Spencer's *Social Statics*. \* \* \* A Constitution is not intended to embody a particular economic theory." Probably in the last analysis the question of the constitutionality of a national economic plan will depend upon the degree to which the Supreme Court may respond to the pressure of public opinion and the

force of events by giving a broadly social, rather than a narrowly individualistic, interpretation to the due process clause.

It is not likely that any of the particular blue-prints for a national economic plan which have been presented, or any other comprehensive and all-embracing scheme, will be enacted into law by Congress. Rather may we expect that our industrial and business problems will be attacked piecemeal. Experimentation must proceed first in one direction and then in another. Certain industries, like that of coal, call immediately for regulation. We cannot permit them to continue their anarchical course much longer. Thus the courts will probably not be called upon to decide all the issues which national planning raises in any single case or at any one moment. They will have the opportunity to feel their way toward a new orientation. They cannot be expected to reverse the trend of precedents over night.

Before his appointment to the Supreme bench, Mr. Brandeis said: "I see no need to amend our Constitution. It has not lost its capacity for expansion to meet new conditions, unless it be interpreted by rigid minds which have no such capacity. Instead of amending the Constitution, I would amend men's economic and social ideas. \* \* \* Law has always been a narrowing and conservatizing profession. \* \* \* What we must do in America is not to attack our judges but to educate them." The forces of economic evolution, however, will not indefinitely await the process of judicial education. If a conservative attitude continues to dominate the Supreme Court, the pressure of events may compel a revision of the Constitution. But until raised in the course of litigation, the constitutionality of national planning must rest on the knees of that august tribunal.

# British Democracy, 1832-1932

By LORD PONSONBY

[Lord Ponsonby, a great-grandson of Charles Earl Grey, the British Prime Minister who brought about the passing of the Reform Bill of 1832, began his career as a Page of Honor to Queen Victoria. He has served in the British diplomatic service, as private secretary to the Prime Minister in Sir Henry Campbell-Bannerman's government, as member of the House of Commons and as a Cabinet Minister. Raised to the peerage in 1930, he is now the leader of the Labor Opposition in the House of Lords. He has written a number of books on diplomacy, politics and social questions.]

THE Great Reform Bill was passed through the British Parliament on June 7, 1832, just a century ago, and makes a good starting point for a survey of the development of democracy in Great Britain in the last hundred years. Superficially one might at first suppose that in spite of an inevitable ebb and flow, temporary setbacks and periods of reaction, the striking growth of the participation of the people in the government of the country had almost reached the expected culmination of the firm establishment of a true democracy. But curiously enough things have not worked out in that way. If instead of saying "the expected culmination" we had been able to say "the desired culmination," it might have made all the difference. But we could not, because it would have been only partially true. However, we must not begin at the end.

In the year 1792—the year of the French Revolution—a voice was raised in the House of Commons for reform. It was the voice of Charles Grey, who gave notice of a motion for discussion in the following year. "It is of the utmost importance," he declared, "that the House should enjoy the good

opinion of the public and possess their confidence as a true representation of the people." The fight over the first step was to be a long one, but the distinguished Whig aristocrat possessed to an unusual degree both tenacity and persistence. Not till forty years later when, as Earl Grey, he was Prime Minister did he see the final passage into law of the measure to which he had devoted the main part of his public life. The opposition of the House of Lords and of the King, William IV, had to be overcome before the struggle was concluded.

Seats in the House of Commons could now no longer be purchased or inherited as private property. Hitherto over three hundred members of the House of Commons had been returned by the influence of landowners and boroughmongers, most of whom were members of the House of Lords. This profound change which converted nominated government into representative government could only have been effected in other countries by civil war. The franchise was extended, and this in future generations was destined to go further. But the significance of the Reform Act of 1832 lay in the fact that the House of Lords lost their control over the House of Commons and a subordinate House of Nominees was changed into an independent and increasingly powerful House of possible Antagonists.

The next attempt at reform took place in 1866, when Lord John Russell introduced a bill. He was defeated on it, and in the following year it was taken up again by Disraeli, who passed a bill which went further than the Whig proposals and caused misgivings among the Tories. By its pas-

sage in 1867 the franchise was further extended to about 500,000 more electors. In 1884 Gladstone with some difficulty passed a further Reform Bill which gave the vote to the agricultural laborers in the counties, and an unsuccessful attempt was made by redistribution to correct some of the anomalies in the widely divergent size of the constituencies. After the war in 1918 the Coalition Government passed a measure which amounted almost to adult suffrage; women were accorded the vote for the first time and became eligible for seats in Parliament, and by a redistribution scheme the size of the constituencies was more or less leveled. A few years later women were admitted to the franchise at the same age as men, and the full extension of the franchise to the adult population was completed.

As the electorate extended there was bound to be a change in the personnel of the House of Commons. Gradually the once aristocratic House, the members of which acted only as an audience to the orations of the few great statesmen and Ministers of the day, became open to the middle class. Toward the end of the nineteenth century the spread of education dating from the Education Act of 1870, which gave free education to all, brought the workers to the front. Local government acts were passed between 1888 and 1894 by which County Councils, Borough Councils, District and Parish Councils were established, affording the poorer class opportunities for experience in local administration. A series of measures were also passed legalizing and extending the power of trades unions and so forcing to the front the needs of the great industrial population which was increasing in numbers while the agricultural population was declining. In the last decades of the century working men found it possible to enter Parliament and a few were returned as Liberals. In the twentieth century progress came more rapidly.

Men of moderate means were able to take up a Parliamentary career; a Labor party detached from the two traditional parties was formed; election expenses were reduced, and members were paid. Many more members with first-hand experience took their part in Parliamentary debates.

The cataclysm of the World War shattered the powerful Liberal party which had been returned by an overwhelming majority in 1906. The Labor party rapidly increased in numbers and twice before the close of the hundred years we are examining they were in a position to form a government largely composed of working men or men and women without independent means. The demands of the Chartist agitators of nearly a hundred years ago who were condemned and dealt with as revolutionaries are all (except the demand for annual Parliaments, which was dropped) universally accepted as indispensable conditions of British political life. So much for the political machine—a remarkable record of steady and complete reform.

Before considering how this machine has been used a word must be said as to the position of the champions and supporters of the old order. The blow given to the House of Lords by the reform bill of 1832 deprived it of its dominant position. But it was still able by its power of veto to put the drag on and hamper the passage of progressive measures. Gladstone found the position thus always imposed on a Liberal government intolerable; Bright eloquently voiced the popular indignation against this relic of aristocratic privilege, and even Rosebery formulated schemes for preventing deadlock between the two houses. But not till 1911, after Campbell-Bannerman had warned the Lords that he had a sufficient majority to deal with them, was an effective check to their power passed in the Parliament act of 1911 under the Asquith Liberal Government. The Lords were deprived of their veto on

financial measures and allowed only the power of delay for two sessions on ordinary legislation.

Meanwhile the aristocracy were fast slipping into a backwater. Accustomed to be accepted as the traditional governing class, they found themselves unable to compete with the other classes in producing men sufficiently well equipped to deal with the technical, economic and industrial questions which demanded increasing attention. Their public schools made no effort to train their boys and prepare them for the new functions of government and eventually even the Tory party had to choose its leaders from the middle class, only very few aristocrats remaining in positions of responsibility in politics.

The monarchy in the person of Queen Victoria, whose reign covers more than half the period in question, regarded the growth of democracy with grave suspicion. But the Queen was more concerned with the firm establishment of monarchy in England at a time when sovereigns were beginning to fall from their thrones in Europe than she was in thwarting the advance of popular institutions. Her opposition to Liberalism in her later years was more due to her personal antipathy to Gladstone and her disapproval of his foreign, imperial and Irish policies than it was to any desire to obstruct really democratic measures. The republican movement of the '70s was of no importance. She had become unpopular because of her prolonged retirement after the Prince Consort's death, and people were told they were not getting their money's worth out of the monarchy.

But the wiser minds knew that these constitutional questions were of little or no consequence as compared with the social and economic questions in which a growing democracy must primarily be interested, and understood that advance could be made every bit as well under a constitutional monarchy as under a republic.

The monarchy in fact adapted itself to the rapid changes and lost nothing in popularity, and so long as there is no suspicion of interference with the decisions of the elected representatives of the people the harmless historical traditions of the Crown need not be disturbed.

Legislation affecting the conditions of the people, however, did not become the close concern of Parliament to any great extent till after the dawn of the twentieth century, though philanthropists such as Lord Shaftesbury had rendered splendid service in abolishing some of the more cruel and degrading conditions of the working class. It was only after the triumphant victory of the Liberal party in 1906 that the Liberals and later the Labor party and indeed the Conservative party itself found themselves obliged to deal with vital questions such as pensions, wages, housing, hours of labor, factory inspection, unemployment insurance and greater educational facilities. But public attention was occupied throughout the period from 1832 by cross-currents which often relegated domestic issues to a secondary place.

Over a number of years the issue of Home Rule for Ireland broke up parties and caused changes of government. Wars of frequent occurrence disturbed the nation as a whole. The Crimean War in the fifties, though not serious, was sufficient to distract Parliament from other work, and the World War, with its complete dislocation of the life of all nations, has left a burdensome legacy producing problems which have to occupy the constant attention of governments and Parliaments, and will continue to do so for generations to come. Wars in South Africa, Egypt and Afghanistan and wars consequent on the policy of imperial expansion broke out at intervals, preventing, as all wars inevitably do, any serious concentration of public attention on social evils and economic problems at home.

Electoral reform except for a few minor anomalies was satisfactory. The doors of Parliament were opened to all classes. But the procedure of the House of Commons and the tradition of the governing class hardly changed. The power of the Executive, the efficiency of the civil service and the subtle social influence which the Conservatives could wield behind the scenes constituted a formidable force working for the maintenance of a capitalist system of society. The Liberals, occupied largely with middle-class prosperity, concentrated on programs of amelioration and palliatives. They achieved a certain amount. But industry, finance, the Established Church and the landowners, except for having to bear a fairer share of taxation, were undisturbed in the exercise of authority in their particular spheres. The Liberal party was broken by the World War and unexpectedly, after only about twenty-five years of existence, the Labor party found itself the largest progressive force.

Keir Hardie, in founding an independent Labor party at the beginning of the century, refused any association with Liberal reformists. He based his policy on socialism—that is to say, a fundamental change in the constitution of society. He saw that the power of financial and industrial magnates, of landowners and of big business could not be shaken by Parliamentary measures occasionally conceded in order to improve the lot of the workers. But his successors, while paying lip service to the Socialist ideal, were content to use the old machine, were ready without a majority in Parliament to take office and were eager to show the old parties that they could carry on the government of the country on the old lines, preserving the old traditions, working with the old methods and endeavoring to turn the powerful old machine to new uses. But the machine was too strong for them. Just as material machinery has succeeded in dominating

mankind, so the political machine molded a new party bent in principle on a revolutionary policy and forced it in practice to confirm to the orthodox line of progress, slow, cautious and unenterprising.

The war had meanwhile produced problems of a nature hitherto unknown, problems the solution of which baffled the greatest experts, and these problems were incapable of solution by any one nation. The world had become smaller; nations had become closely interdependent. People who had been devoting their attention to the domestic concerns of their country found everything they touched closely linked up with the complex ramifications of international affairs.

The Labor party, little more than a new edition of the Liberal party, without a majority in Parliament and with far less control and influence than the older parties over the great financial and industrial interests, was manifestly incapable of coping with the situation the moment they were told that it had reached a critical stage. Some of their chief leaders having easily been enticed by social pressure into the camp of their opponents, Labor fell from power with a crash and the Conservatives, with the supposed assistance of the other two parties, assumed command of the nation's affairs. The huge electorate, seemingly so democratic in form but largely composed of an easily swayed mob, was even more susceptible to the cries of alarm than it had been to the loud jingo war appeals of 1900 and 1918. The so-called National Government with a tame House of Commons could disregard parliamentary forms and make the authority of the Executive supreme.

This culmination of political development in Great Britain at the end of the hundred years is interesting. Whatever it may denote, it does not denote the advent of democracy. The two progressive parties are broken into fragments and the only hope for

those who believe in a real social democracy is the fact that 7,000,000 Labor electors remained faithful in the storm to the ideals for which they had been striving.

But the foreign situation cannot be left out of account. Since the war parliamentary government has broken down in a number of countries and dictatorships have been set up. The most noteworthy of these are Italian fascism and Russian communism, which have both had considerable influence outside Italy and Russia. The danger of either of these two extremes cannot be dismissed as fanciful. If parliamentary government in Great Britain proves by the new methods adopted that a modified form of Fascist dictatorship is on its way, this is bound to strengthen the opposite extreme. Those who show growing impatience and exasperation with Parliament for its slow-moving and out-of-date procedure are likely to be strengthened in their belief in the inherent inability of Parliament to get down to fundamentals in the direction of socialism. They may increase in numbers and the Left wing of the Labor party will veer toward communism. This is what is happening in Germany where, however, conditions are worse and discontent greater.

Free trade was established in 1846 by Sir Robert Peel and under it Great Britain gained her commercial supremacy. The Conservative protectionists in the early part of this century made a desperate attempt to overthrow the free trade settlement but failed. Taking advantage of the present national crisis the Conservatives have this time succeeded in reviving the very doubtful expedient of tariffs in order by this means to attempt to restore the adverse balance of trade. A policy of reaction in all directions is therefore in full swing. The Conservatives have played their cards with consummate skill. They are far more united than either of the other two parties and they know how

to gull the electorate with a sufficient amount of legislation for the improvement of the material conditions of the workers in order to prevent any serious discontent.

The Liberals, although they still possess several men of ability, have ceased to be a political force that counts. They are divided into three camps: (1) Those who are ready to throw in their lot with the Conservatives; (2) those who are ready to co-operate so long as a supposed crisis exists but no longer; (3) those who stand out for absolute independence or for alliance with Labor. The ranks of Labor are also divided into three sections: (1) Three leaders and a small band of followers who have deserted the party and are willing to carry out the policy of those who have hitherto been their opponents; (2) the main body who came out of the government and have the strong backing of the rank and file of the party in their attitude of opposition to the present government; (3) those who insist on the uncompromising proclamation of immediate socialism, trading to an excessive extent on purely material gain for the workers.

With the progressive ranks thus split up the party system may be superseded by the group system, which is entirely alien to British tradition. The future would appear for the moment to rest largely in the hands of the Conservatives, who are pressing for a policy of self-contained nationalism or assertive imperialism and are determined to check the further advance of democracy. The more they succeed the more will the advent of democracy be delayed. This is an unexpected climax, unforeseen by those who dreaded the extension of the franchise and were apprehensive of the spread of education. But in these days no one dares prophesy in the field of politics. Events move rapidly; great changes come suddenly. The heaviness of the weight on the British political pendulum has made it swing

far. Who can foretell how far it may swing in the opposite direction? There are no political giants in Great Britain today, no voice that can give an inspiring lead—no Pitt, no Peel, no Disraeli, no Gladstone. Left to itself the vast electorate, often perplexed and largely ignorant, has shown that it can be captured by a cry, by an alarm or by well-devised propaganda.

Yet capitalism, based on imperial arrogance and the perpetuation of class distinctions and relying on the Conservative expedients of patronage and charity, has failed to maintain peace either abroad or at home. This failure is likely to become more and more evident. Socialism has not been tried. It will not be the mere result of acts of Parliament; it is a method of organizing an industrial community by public control for the benefit of all which promises to be the most effective system of ensuring the general welfare of a nation. Private enterprise in the larger national concerns has broken down and the natural evolution of society is toward cooperation for the common good instead of a

profit system for the individual alone.

Nevertheless, some may condemn democracy as it has so far developed, call it a failure and a danger and assert that its further advance must be stayed. Others may contend that in a transition stage it is not fair to judge the initial efforts of a new force which in England must be slow in its development and that this is only a momentary setback. Some may have their eyes on Russia, others on Italy. But whatever tentative conclusion may be reached in an examination of the present situation, the fundamental good sense of the British people may be counted on in the long run. They may be apathetic, stolid and phlegmatic; they may glory in being thought stupid; but in this baffling and probably forever insoluble problem of the organization of human society they are not unlikely to assume the leadership in the future as they have in the past, deriving from experience and from the experiments of others the methods best adapted to their own particular character and temperament.

# The Legacy of Versailles

By ROGER SHAW

IT is interesting to reconsider at this juncture of world affairs the written bond which marked the end of the World War. Not a few thinkers attribute the existing international discord to the conditions embodied in these peace treaties. Others declare that upon strict maintenance of the treaties rest the hopes of eventual international harmony. What, in brief, were the penalties inflicted upon the conquered Central Powers?

The Treaty of Versailles, which ended the war as far as Germany was concerned, was signed on June 28, 1919. It was, in effect, a dictated rather than a negotiated peace, and was accepted in that spirit by the vanquished—who were simply instructed to sign on the dotted line. This they did, much as a drowning man clutches at a straw. From this Versailles treaty, which dealt with Germany, and from its accompanying treaties, which dealt with the allies of Germany, date most of the political controversies which today are racking Europe. France and her associates have upheld the status quo defined by the treaties. Germany demands treaty revision. This conflict is the main cause of European unrest.

Territorial problems which have arisen from the Versailles treaty include that of the so-called Polish corridor, which severs East Prussia from the body of the Reich; the question of Upper Silesia (with its valuable coal mines), and the disposal of the German colonies, which were confiscated in their entirety by the Allies and redistributed under the "mandate" system. In addition to these losses, territory was surrendered to Belgium, Den-

mark, Lithuania and France. Alsace-Lorraine, annexed to the Reich after 1870 and returned to France in 1918, was forever relinquished by Germany in the Locarno treaties of 1925. Even the followers of Adolf Hitler concede that this issue is dead. The Eupen-Malmédy district, turned over to Belgium, is small and unimportant, and it may eventually be returned to the Reich by purchase. Certain Danish-speaking districts, annexed by Prussia in 1864, were given back to Denmark by popular referendum, and here again there is no bitterness of feeling. Nor is the problem of the Memel area, added to Lithuania, acute or keenly contested. Germany in Europe lost altogether 27,500 square miles, but it is with the frontiers of Poland that she is today most deeply concerned.

Number 13 of Woodrow Wilson's epoch-making Fourteen Points announced that there must be a reconstituted Poland. It read: "An independent Polish State should be erected which should include the territories inhabited by indisputably Polish populations, which should be assured a free and secure access to the sea." This new Poland was to consist of the sections apportioned successively to Russia, Prussia and Austria at the close of the eighteenth century. To this there was little German objection, for Germany herself had set up an autonomous Russian Poland in 1916. The joker was in the outlet to the sea, with the purely German city of Danzig (set up as a "free" town within the Polish customs union) to serve as a Polish seaport.

The corridor connecting Poland proper with Danzig and the coast is,

roughly, seventy-five miles long and sixty miles across at its widest point. It cuts the Reich in two, and is proving to be unsound economically. Yet its population, except in Danzig, is preponderantly Polish and must remain so under the Wilsonian doctrine of self-determination. East Prussia, a Teuton island in a Slavic sea, is back to its original status—an isolated territory of the crusading Teutonic Knights, who subjugated the district in medieval times. Meanwhile, since 1919, Poland has constructed a purely Polish seaport—Gdynia—on the Baltic shore to the northwest of Danzig. This consolidates her hold on the corridor. It is probable, however, that Germany would be satisfied with a comparatively narrow strip of coast (including Danzig) to reconnect East Prussia with the bulk of the fatherland. There is no German demand for the Polish territory to the south, centring about Posen, which also belonged to Germany before 1919.

Another area in dispute between Poland and the Reich is Upper Silesia. It is a valuable mining district divided between the two countries by a somewhat curious referendum held in 1920. Though the district as a whole voted German, its area was apportioned according to the verdict of separate sections. This disrupted the coal industry, and Polish-German economic cooperation was made difficult by the animosities that were aroused. German minorities in Poland, which number 2,000,000, are under the nominal protection of the League of Nations, but they have received rough treatment, as the courageous investigations of the *Manchester Guardian* have revealed.

The German colonial empire, totaling 1,027,000 square miles, went to the Allies in the guise of "mandates." Lost were possessions in Africa and the Pacific—German East Africa, Togoland, Kamerun, German Southwest Africa, German New Guinea, German Samoa and lesser areas.

While the German demand for a return of the colonial lands is limited (the Corridor demand is unlimited), Dr. Hjalmar Schacht and other prominent financial and industrial leaders are convinced that German economic welfare would be promoted by the return of at least a portion. The mandate holders—Great Britain, France, Australia, New Zealand and the South African Union—have as yet made no move in so conciliatory a direction.

Article 231 of the Versailles Treaty reads as follows: "The allied and associated governments affirm and Germany accepts the responsibility of Germany and her allies for causing all the loss and damage to which the allied and associated governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her allies." This is the famous "war-guilt" clause of the treaty, to which all Germans so strongly object, and the moral basis for the payment of reparations by the vanquished. Germany, it is true, surrendered upon the idealistic Fourteen Points, which stipulated that the devastated regions of Belgium and Northern France must be "restored." Furthermore, "restoration" had been publicly construed by the Allies as reparation "for all damage done to the civilian population of the Allies and their property by the aggression of Germany by land, by sea and from the air."

This interpretation was reasonably clear and met with tacit German assent. But at the peace conference reparations were extended to cover a wide variety of objects not included in the amended Fourteen Points—alleged mistreatment of allied prisoners of war, military pensions and separation allowances to the families of allied soldiers, forced labor in the occupied allied territories and sundry other extras. The Germans considered themselves tricked.

Germany was then compelled to

sign a blank check for reparations, since the total amount was left indefinite until an allied commission should have conducted a careful investigation of financial and economic conditions. In 1921 Germany received the bill. The net sum totaled the amazing figure of \$31,000,000,000. Germany was to pay \$500,000,000 annually, of which France was to receive 52 per cent; Great Britain, 22 per cent; Italy, 10 per cent, and Belgium, 8 per cent. The rest was to go to the lesser Allies. (See "Eleven Years of Reparations," pages 291-297 of this magazine.)

Germany, able to combat a dozen hostile nations on almost equal terms during the war, was thoroughly disarmed at Versailles. The left bank of the Rhine was demilitarized. The Reich was forbidden to use conscription and the German army was limited to 100,000 men enlisted for twelve years so as to prevent the rapid creation of a trained reserve. This small force was deprived of tanks, heavy artillery, gas and military aircraft, and the famous German General Staff was dissolved. With this much-handicapped military machine, Germany today is flanked by a French army of well over 500,000 and a Polish army of 250,000. The Belgian and Czechoslovak armies, strong in themselves, may be added to that of France.

In naval armament, Germany had been the second strongest power in the world. The Versailles treaty reduced the German naval forces to six 10,000-ton battleships, six light cruisers, twelve destroyers and twelve torpedo boats, limited the personnel to 15,000 men, and prohibited submarines and a naval air force.

The Allies, however, agreed to disarm—following the German example. The treaty declared: "In order to render possible the initiation of general limitation of the armament of all nations, Germany undertakes strictly to observe the military, naval and air clauses which follow." Upon this

treaty clause the Germans have been insistently harping, for with Allied disarmament, the German position of military inferiority would vanish. But the French fear disarmament while Germany remains in an ugly mood, forgetting that French armament is an important element in Germany's attitude. If Great Britain and the United States would guarantee France the security she demands, she would willingly disarm. But such guarantees, understandably enough, are not forthcoming.

Germany's economic losses incidental to the loss of territory were heavy. Most of her iron ore went with the cession of Alsace-Lorraine to France. Lead, zinc and coal mines were lost through the division of Upper Silesia, and 15 per cent of her agricultural products went also to Poland. The Saar coal basin was detached from Germany till 1935 and assigned to fifteen years of French exploitation. This has cost the Reich one-quarter of her coal supply. Rubber, copra and other raw products went with the colonies. The German merchant marine was in large part presented to Great Britain in compensation for ships sunk by the U-boats. German trade concessions in China, Siam, Egypt, Morocco and Liberia were forfeited.

Austria was dealt with by the treaty of St. Germain, signed in September, 1919. This treaty endorsed the revolutionary movements which had already disrupted Austria, confirming Poland's annexation of Galicia and the seizure of territory by Czechoslovakia in Bohemia and Moravia; by Italy in Trieste, Trentino and South Tyrol; and by Yugoslavia in the southern Laibach district. What was left of Austria comprised a German-speaking nucleus of 6,000,000 souls—Vienna, Salzburg and North Tyrol. This head without a body, economically almost helpless, was assigned its share of war reparations, and its army was limited to 30,000 regulars.

Although Bohemia, Galicia, Trieste and the other non-German districts were accorded self-determination, this privilege was denied to German Austria, which had voted for organic union with Germany. France was afraid of German aggrandizement. Hemmed in by hostile tariff walls, faced by hunger and financial collapse, Austria has had to stagger on alone. She is in the strange predicament of having independence forced upon her. The treaty of St. Germain decreed that "the independence of Austria is inalienable otherwise than with the consent of the Council of the League of Nations. Consequently Austria undertakes in the absence of the consent of the said Council to abstain from any act which might directly or indirectly or by any means whatever compromise her independence." Even a customs union with Germany, as proposed last Spring by the Austrian and German Governments, has met with the relentless opposition of France and Czechoslovakia, and the World Court at The Hague has pronounced against it.

Hungary was brought to justice by the Trianon treaty of June, 1920. She lost Transylvania to Rumania, Slovakia to Czechoslovakia, Croatia to Yugoslavia, while the port of Fiume went eventually to Italy. These losses amounted to two-thirds of the Hungarian territory and population. Hungary herself was left with a population of 8,000,000, an army limited to 35,000, and war reparations to shoulder. This settlement drove Hungary to Bolshevism in 1919, and subsequently to dictatorship. She is still bitterly intransigent, the pawn of Fascist Italy and the determined foe of the Little Entente of Czechoslovakia, Rumania and Yugoslavia.

Bulgaria in November, 1919, had her fate sealed by accepting the Neuilly treaty. She received, on the whole, lenient treatment. To Yugoslavia she lost a strategic mountain strip, and to Greece went western

Thrace, which was Bulgaria's coastline on the Aegean. Hence Bulgarian transit to the sea (like German transit to East Prussia) must proceed through alien and unfriendly territory. The Bulgarian army was limited to 20,000 men, and the people received their burden of reparations.

Italy, though on the winning side in the World War, has since ranged herself with the losers in demanding treaty revision. At the peace conference she came into violent conflict with Yugoslavia over the possession of Fiume and the Adriatic coast line (promised to Italy by agreement in 1915). Woodrow Wilson supported Yugoslavia and Italy withdrew temporarily from the conference. Since that time matters have been arranged, but ill feeling has persisted. Italy also expected a colonial aggrandizement, which she failed to secure, and now casts envious eyes on French Tunis, which has many Italian immigrants. France and Yugoslavia are close allies—against Italy, still embittered by Versailles.

And yet, in spite of everything, Wilson, Lloyd George, Clemenceau and Orlando were honest men with honest ideals. Clemenceau, for instance, stoutly opposed French control of the German Rhineland. The Versailles slogans were democracy and national self-determination (except for Austria). But this very idealism was perhaps their downfall. The treaty negotiators were dependent upon parliamentary majorities. The Parliaments, in turn, were dependent upon war-maddened electorates—driven to frenzy by an unchecked yellow press. The principle of nationality, perfect in conception, has set up in Central Europe uneconomic tariff barriers and a network of hatreds. The peace makers, on the whole, meant exceedingly well. Perhaps modern enlightenment, tinged with the war mania, was too much for them. Their more permanent monument is the League of Nations.

# Eleven Years of Reparations

By BENJAMIN H. WILLIAMS

Author of "*The United States and Disarmament*"

ELEVEN years after the Reparation Commission fixed the amount to be paid by Germany, a conference is scheduled to meet at Lausanne on June 13 to examine the problem of reparations once more. Its chief task will be to consider the revision of the Young Plan, a step which seems necessary to prevent further collapse of world business. Under the burden of reparations German finance has been prostrated, and this in turn has crippled German industry, one of the most important elements in the world's economic system.

The Hoover moratorium will end on July 1, and unless action has been taken by the powers the whole weight of reparations again will be thrown upon Germany. Already the government of the Reich has declared that it cannot resume payment; in that case, the moratorium provisions of the Young Plan must be invoked or the reparations agreement broken. In the latter event the consequences would be so serious that the Allied nations would, in their own interests, have to consider the extension of the Hoover moratorium or the revision of the Young Plan.

Since the signing of the Treaty of Versailles, the history of reparations has been one of diminishing claims upon Germany. The original demand that Germany should shoulder the enormous cost of the war has been gradually modified before merciless economic forces that have little respect for nationalistic prejudices. Nevertheless, war psychology has persisted in preventing any rational settlement of the ques-

tion. Two groups of experts have sought a disinterested and objective solution. In each instance, scientific examination failed; the experts were compelled to adopt a political course and to steer somewhere between the stern demands of the French and the minimum relief necessary to save Germany from ruin. Forced to bow before the public opinion of the Allied nations, the experts in each instance have been able only to temporize. And thus, thirteen years after the signing of the treaty of peace, the problem of reparations remains unsettled.

By the Treaty of Versailles, Germany agreed to pay for all damage done to the civilian populations of the Allies. Ten kinds of reparable damages were enumerated; these included not only destruction of property from bombardment and loss to Allied citizens as a result of deportation, but also pensions to Allied sailors and soldiers and allowances to their dependents. In 1919 the estimates of the sums that Germany should pay were far beyond any practical possibility. French calculations ran as high as \$200,000,000,000—a sum several times greater than the national wealth of Germany; American delegates placed the amount at a much lower figure, at about \$25,000,000,000. The difficulty of transferring these payments out of Germany was not perceived when such sums were mentioned. In order not to disappoint the people of France and Great Britain, who had been led to expect immense reparation payments, the peacemakers avoided specifying the amount that Germany was to pay.

Its determination was assigned to the specially created Reparation Commission.

On April 27, 1921, almost two years after the signing of the treaty, the Reparation Commission fixed the figure to be paid at 132,000,000,000 gold marks, or about \$31,000,000,000. The commission's plan for payment called for the ultimate issuance of three series of bonds upon which Germany was required to pay interest and amortization charges. The initial payments amounted to about \$476,000,000 per year plus a sum equal to 26 per cent of the amount of German exports. Deliveries in kind were arranged for. Germany speedily fell behind in the payments and sought a moratorium. The French claimed that the Germans had deliberately tried to make payment impossible by inflating the currency and by sending capital from the country. In December, 1922, and January, 1923, the Reparation Commission decided that Germany was in default in deliveries of timber and coal. French troops thereupon occupied the region of the Ruhr.

The Ruhr invasion eventually produced a greater readiness on the part of Germany to attempt to make the heavy payments required, but the immediate effect upon the general economic conditions was unfavorable. The British Government, embittered by the damage done to the important German market, protested to France. French deliveries of coal from the Ruhr declined drastically. At the same time, but for not wholly related reasons, French finance became unstable; the Ruhr invasion only made matters worse. During 1923 the value of the franc fell from 7.45 cents to 5.12 cents and as a result the savings of millions of thrifty French people dwindled away.

Coincident with the default of Germany, a movement was started to re-examine the reparations question and to determine scientifically the sums which Germany could pay. Charles

E. Hughes, the American Secretary of State, called for such an examination in December, 1922; the idea received support in Great Britain, but at first was strenuously opposed by France. The instability of the franc, however, did much to bring the French Government to agree to the proposal, and it is probable that American loans to support the franc were granted eventually on condition that France would accept the findings of the committees of experts. In November, 1923, the Reparation Commission moved to carry the suggestion into effect. Two committees were created; the first was authorized to study the means of balancing the German budget and of stabilizing the currency. Presumably the committee was thus empowered to go to the bottom of the German financial difficulties. The second committee was created to consider a way for estimating the amount of capital exported from Germany, and to determine how it might be brought back. Two American members, Charles G. Dawes and Owen D. Young, were unofficially appointed to the first committee. Henry M. Robinson, another American, was a member of the second. As Mr. Dawes was elected chairman of the first committee, his name was popularly attached to the report later adopted by the experts.

The Dawes Plan was agreed to by the committee in April, 1924, and four months later was accepted by the governments concerned. In order that the German budget might be stabilized and the flight of German capital stopped, the plan called for the establishment of a bank of issue and the fixing of a stable currency supported by adequate reserves. The total amount of reparations was not fixed, although annual payments, which were presumed to be within Germany's capacity to meet, were stated. These were to be paid for an indefinite period, beginning with 1,000,000,000 gold marks (\$238,000,000) in the first year and increas-

ing gradually until by 1928, the fifth year, a maximum annual payment of 2,500,000,000 marks (\$595,000,000) would be reached. The scheme for raising these sums was complicated. A foreign loan of about \$190,500,000 was floated; mortgages were placed upon German railways and industries to secure the annual payment of an additional \$190,500,000; \$107,000,000 was to be obtained from a transport tax; while half the amount to be paid in the years following 1928 was to be derived from the German budget. These sums were to be paid into the bank of issue to the credit of the Agent General for Reparation Payments. In transferring these huge sums from Germany to the Allied creditors, the Agent General was to act under the direction of a transfer committee of six members, of which the Agent General was chairman.

Apparently the experts felt that they had placed reparations upon a sound basis; in any case the first committee stated in its report: "We have approached our task as business men anxious to obtain effective results. We have been concerned with the technical and not the political aspects of the problem presented to us." But the Dawes committee should have known at the time that Germany was unable to carry such a load out of her own resources. Only by borrowing heavily abroad was the Reich able to make the required annual payments. In 1927, John Maynard Keynes, one of the most clear-minded economists of the post-war period, prophesied that "the Dawes Plan will break down according to schedule." The new arrangement, however, did satisfy public sentiment for the time being. Large loans were made to Germany, principally by the United States, Great Britain, Holland and Switzerland. It is estimated that between 1924 and 1930 from \$6,000,000,000 to \$7,500,000,000 of foreign capital found its way into Germany. These loans, however, created large foreign interests in the

Reich and made the problem of possible financial break-down from the burden of reparations a much more serious international matter.

The Dawes Plan was admittedly not a permanent settlement of the problem of reparations. The Germans were dissatisfied with an arrangement which did not fix a definite obligation and which depended for its enforcement upon the presence in Germany of foreign officials such as the Agent General for Reparation Payments. As the year for what was to be the regular payment of \$595,000,000 drew near, the demand for a new plan became stronger. In September, 1928, the representatives of Germany, Belgium, France, Great Britain, Italy and Japan agreed upon the need for a "complete and definite settlement of the reparation problem." A new experts' committee, consisting of two delegates from each of the six powers and two from the United States, was formed to draft the settlement. The American delegates, who were unofficial in character, were Owen D. Young and J. P. Morgan. When the committee met in Paris in February, 1929, Owen D. Young was chosen chairman and gave his name to the outcome of the deliberations. The plan, completed after a four months' session, was adopted, with some revisions, by the governments concerned following meetings at The Hague in August, 1929, and January, 1930.

In the Young Plan the amount to be paid by Germany was fixed and was to be met by fifty-nine annual payments—the first one covering only seven months. These annual sums are somewhat below the maximum of \$595,000,000 provided for in the Dawes Plan. The first full annual payment was fixed at 1,707,900,000 reichsmarks (\$407,000,000), but gradually the amounts were to be increased to a maximum of 2,428,800,000 reichsmarks (\$578,500,000) in 1965-66. The average of the payments for the first thirty-seven years

is 2,050,600,000 reichsmarks (\$488,000,000). After the first thirty-seven years the payments decline considerably and the average for the last twenty-two years is slightly more than 1,500,000,000 reichsmarks (\$357,000,000).

The Young Plan correlated the reparations question with that of the interallied debts. While the United States Government has officially stated that there is no connection between these two problems, it is frequently admitted, even in America, that actually the two matters are inseparable. The relationship is tacitly acknowledged throughout the provisions of the Young Plan. For instance, the term of payments, running until 1987-88, coincides with the unexpired periods of the payment of war debts to the United States under the later debt settlements. The British and Polish debts are to be paid off by 1984, but the funding agreements with France, Italy, Belgium, Yugoslavia and Rumania continue until 1987. The "out-payments" of the Allied governments on account of their war debts are definitely provided for in the amounts to be paid by Germany, and, further, it is stated in a concurrent memorandum that if the payments on account of war debts shall be reduced, Germany shall receive the benefit of the reduction. During the first thirty-seven years two-thirds of the benefit will be passed on to Germany and during the last twenty-two years the whole amount of the reduction will be applied to reducing reparations.

Germany is thus the source for payment of the war debts of the Allies. During the first thirty-seven years the German payments will exceed by a considerable margin the amount of the "out-payments" of the Allies for war debts, but during the last twenty-two years the German payments are intended to cover approximately the war debts. In this way the Allied "out-payments" on account of war

debts for fifty-nine years plus a reparation burden during the first thirty-seven years constitute the German obligations.

According to the Young Plan, part of the annuities, ranging from about \$167,000,000 in 1930-31 to \$146,000,000 in 1950-51 and thereafter, is non-postponable. The attempt to make certain the payment of these sums was intended to pave the way for the funding of a portion of the German obligations. The annuities other than those just mentioned may be postponed for two years on notice by Germany.

The experts planned that a large amount of the German reparations should be "mobilized" or converted into bonds and sold to private investors. The mobilized portion of the reparations would be taken out of politics and once these obligations were sold upon the exchanges of the world a default would inflict serious injury to German credit. It was agreed to issue \$300,000,000 worth of bonds, and for this purpose bonds of a nominal value of \$350,888,000, bearing interest at 5½ per cent, were sold in 1930. Two-thirds of the issue represented the capitalization of a portion of the unconditional annuities. The American share was \$98,250,000, the French \$98,535,000 and the British \$58,298,720. The remainder was distributed between Holland, Switzerland, Sweden, Germany, Italy and Belgium. The disastrous fall in price of these bonds has demonstrated the difficulty of further attempts to commercialize reparations.

The Young Plan abolished the functions of the Agent General for Reparation Payments, the Transfer Committee and other officials who under the Dawes Plan exercised a certain supervision over German revenues. In their place a new and important world institution, the Bank for International Settlements, was created to handle the transfer of German payments to the creditor nations. In order to appease German sentiment and to secure German adherence to the plan, the evacua-

tion of the Rhine was agreed upon, and, accordingly, on June 30, 1930, the last of the French army of occupation moved out of the German Rhineland.

The Young Plan, which was to have been the final and definitive settlement of the reparations question, was devised at an inauspicious time. The shadow of the economic depression was already cast over the world. Loans and credits, which were essential to the carrying out of the plan, were difficult to obtain. German borrowing decreased in 1930; in 1931 it stopped short and capital began an alarming flight from the Reich. One of the conditions which led to severe financial distress in 1931 was the large amount of short-term foreign money in Germany. Out of about \$6,000,000,000 to \$7,500,000,000 of foreign investments in Germany at the beginning of 1931, about \$2,500,000,000 to \$3,500,000,000 were in short-term credits which were subject to withdrawal. As the events of 1931 demonstrated, this was an exceedingly vulnerable point in the German financial system.

Germany was one of the first nations to feel the severity of the depression. Her highly industrialized economic life was sensitive to business changes. German industrial production declined 15 per cent in 1930 and 35 per cent in 1931. At the end of 1931 more than 5,000,000 workers out of a total of 21,000,000 were unemployed and the number has since reached 6,000,000. For several years both the Reich and the German States had shown budget deficits. As long as these could be met by borrowing, they were carried from year to year without causing any alarm, but when loans were floated with difficulty the problem of the deficit became acute. Increased taxation failed to balance the budget, because, with the industrial depression, revenues actually diminished. For the year ended March 31, 1931, the Reich budget showed a deficit of almost \$300,000,000.

Meanwhile, the financial strain was beginning to show in the depletion of the reserves of the Reichsbank. At the beginning of 1931 the reserves had stood at \$640,000,000. By July 31 they had fallen to \$384,000,000. On Dec. 15, 1931, they had fallen further to \$277,000,000, a sum which provided only a 25.6 per cent coverage of the note issue. The legal minimum of reserves, which had been 40 per cent, was reduced to 30 per cent by the general board of the bank on July 15. The Germans, remembering the painful depreciation of the currency after the war, have had little relish for another experience of that sort, and have made strenuous efforts to support the mark.

Growing bitterness in Germany because of economic suffering has stimulated nationalistic feeling. In the election of September, 1930, the Hitlerites increased their representation in the Reichstag from twelve to 107. In March, 1931, the project for an Austro-German customs union was announced. These developments tended to create resentment in France and caused the calling of short-term loans and the shutting off of further credits by French financiers. In May the Creditanstalt, the principal bank in Austria, closed its doors. In June a run on the credit of the Reich began. By the end of July \$690,000,000 of short-term credits had been withdrawn. Runs on German banks followed and several conspicuous failures resulted.

The threatened financial collapse of Germany created genuine alarm in international banking circles. Early in June Chancellor Bruening and Foreign Minister Curtius conferred in England with Prime Minister MacDonald and other British officials. On June 7 a joint statement was issued from this group stressing the need of international cooperation to stem the crisis. American financiers, with more than \$2,000,000,000 invested in Germany, were likewise greatly concerned.

President Hoover, on June 21, proposed a moratorium for one year upon all reparation and intergovernmental debt payments. The French Government was not willing to accept the plan unconditionally and made counter suggestions that the non-postponable portions of the reparations should be paid. They were willing that the French share, with the exception of certain amounts, should be placed at the disposal of the Bank for International Settlements. Although the French reply was unsatisfactory, an agreement was reached, after further negotiation, that Germany should be relieved of the reparations, except that she must make the non-postponable payments to the Bank for International Settlements, which could invest the money in guaranteed German railway bonds. This arrangement was agreed to on July 6 and the moratorium went into effect as of July 1, 1931. All the suspended payments under this agreement are to bear interest and to be repaid in ten annual instalments, beginning with July 1, 1933.

Meanwhile, steps had been taken in and outside Germany to stop the flight of capital. An emergency decree by the German Government on June 6 increased taxes and reduced expenditures. From that time on the government issued a growing number of decrees to control banking, to prevent the export of gold, and to maintain the value of the mark. Foreign financiers and the Bank for International Settlements aided. A credit of \$100,000,000 was granted to the Reichsbank on June 25 by the Bank for International Settlements, the Federal Reserve Bank of New York, the Bank of England and the Bank of France. In August a conference of private financiers, representing German banks and German creditors in the United States, Great Britain, France, Holland and Switzerland, reached a standstill agreement for the purpose of keeping short-term credits in Germany. This

agreement, which expired on Feb. 29, 1932, has, subject to certain exceptions, been renewed for another year.

By dint of drastic control in Germany and by the aid of international financiers, the demoralization of German finance has been temporarily halted. What further action should be taken before July 1 is a matter of debate. The French Government still rests its policy upon the Young Plan. Those who believe that the annuities under this plan can be continued point out that Germany recently has had a favorable balance of trade which will permit payments from her own resources. From 1924 to 1929, inclusive, Germany had in general an excess of imports over exports which totaled for the period more than \$1,500,000,000. In 1930 there was an export balance of about \$400,000,000. In 1931 the surplus, including services and deliveries in kind, increased to about \$715,000,000. These recent surpluses, however, have resulted from a drastic reduction of imports rather than from an increase of exports. The purchasing power of the nation has been reduced and Germany, accordingly, has been forced to draw heavily upon stocks of materials already in the country. Furthermore, the prices of materials imported have fallen lower, temporarily, than the prices of manufactured goods exported. Even in 1931 the export surplus was not sufficient to take care of regular reparation payments and foreign debt charges, falling probably \$100,000,000 short of the required figure. Such a large surplus of exports, moreover, cannot be expected to continue permanently and it is almost impossible that Germany will be able to meet her foreign payments out of the trade balance unless her creditors are willing to make tariff reductions in her favor.

The statement has been repeatedly made on high authority that there must be another change in the amount of both reparations and war

debts. In August, 1931, the Bank for International Settlements set up what became known as the Wiggin committee—a body including banking representatives from ten nations—to inquire into the needs of Germany and to study the possibility of converting German short-term credits into long-term loans. The committee reported that under present conditions no new long-term loans could be made to Germany. It stated, by inference at least, that the present war debts and reparations are not conducive to confidence or to a restoration of European financial stability. The committee urged upon the governments that they lose no time in taking the necessary measures to remedy the situation.

On Oct. 25, at the time of the visit of M. Laval to Washington, the French Premier and President Hoover declared in a joint statement that some agreement upon intergovernmental obligations might be necessary for the period of the business depression. A special advisory committee, called, in accordance with the provisions of the Young Plan, by the Bank for International Settlements upon the request of Germany, reported in December, 1931, that Germany would be justified in declaring a moratorium in 1932 on

the non-postponable portion of reparations. The committee recommended that an adjustment of all intergovernmental debts—reparations and other war debts—to the existing troubled situation of the world is the only lasting step capable of re-establishing confidence. On Jan. 9 Chancellor Brüning stated that Germany could not continue the payment of reparation burdens upon the expiration of the Hoover moratorium, and this stand was reaffirmed by Finance Minister Dietrich on April 23, when he declared at a party mass meeting: "The moratorium ends on July 1, but Germany will not pay more after that date." The British budget for 1932-33, which was presented to Parliament in April, made no provision for debt payments to the United States and listed no items of revenue from reparations or debt payments to Great Britain. In January, 1932, the British Government invited the interested governments to meet for the further discussion of reparations on Jan. 25. This conference, because of the extremely nationalistic attitude of Germany, France and the United States, was finally postponed until June and is the next important event in the evolution of the reparations problem.

# The Menace of the Teachers' College

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By JOHN ROBERT MOORE  
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IT is natural that the American public should be deeply concerned about the management of the schools. One-third of all taxes are spent for education—this concerns the taxpayer; 30,000,000 persons are attending school or college in the United States—this concerns all who look to the future of national thought and character.

Teachers used to boast that their occupation was not a trade, not even an ordinary profession, but a vocation. A man entered it because of a deep interest in learning and in mankind. But the spirit of big business has been introduced by the teachers' colleges until education is too often thought of as a source of profit to its promoters, a thing to be exploited by the methods of mass production. By cynics the men who direct the training of teachers are sometimes called "educational racketeers." By the soberest critics the system is sometimes called "the teacher-training trust."

The system is called a trust because it has a monopoly in the training of teachers. Under laws which have been pushed through State Legislatures by interested parties only those teachers who conform to certain arbitrary requirements may teach in the public schools. Any one who glances at the statutes of the different States must be struck by the remarkable similarity of all laws concerning education and especially those controlling the certification of teachers. The various colleges and universities throughout

the country are still largely independent of the trust, but elementary and secondary schools are more and more being brought under its supervision—or are being forced out of existence. A candidate for a position on a college or university faculty is still most frequently chosen for his intellectual attainments, his personality, his ability as a teacher. In the public schools, however, the prime consideration is whether or not the candidate has satisfied legal requirements and has won a teacher's license. American public schools have become for the teachers a closed shop.

The situation is a relatively new one. Before 1900 not more than half a dozen States barred admittedly excellent teachers because they lacked two-year teacher-training certificates. In 1910 a Harvard professor or a United States Commissioner of Education would still have been eligible to teach in the high schools of over twenty States after taking a few elementary courses labeled "education" or perhaps a round of examinations in pedagogy, physiology and civil government. Even as late as 1911 the standard text-book on American high schools held that the best high schools required college-trained men as teachers and that "the academic college course is now and always has been regarded as more important than any sort of purely pedagogical training."

Since 1911, however, emphasis has been shifted from the prospective teacher's mental power and cultural background to his ability to satisfy

legal requirements for certification. Dr. R. A. Millikan, Nobel Prize winner and one of the world's great teachers, has remarked in this connection: "My comment is that I myself couldn't break into, as I did forty years ago, the teaching of secondary school physics, because our States, many of them, have passed laws under the stimulus of teachers' college labor unions, which are actually working \* \* \* to prevent the ablest and best-trained of our younger minds from getting into secondary school teaching at all."

What has brought about the legislation which insists that public school teachers conform to a certain specified pattern? In earlier days there was no political regulation. The first high school established in Boston specified for its teachers merely that "they shall have been regularly educated at some university." But with the passage of years and the nation-wide installation of free primary and secondary schools there came a great need for quickly and economically trained teachers.

In 1839 the first State normal school was opened. Others followed in rapid succession with the avowed purpose of training teachers for the schools. The idea came from Prussia, with its corollary of a school system rigidly controlled by the State, but the essential Prussian characteristics of scholarly ideals and a broad general training were unfortunately omitted from the scheme. Naturally enough, those in charge of normal schools and other teacher-training institutions took great pains to see that the organizations which they headed kept expanding, and from that idea to the licensing of only those teachers trained in their methods was but a short step. By 1890 the elementary schools were generally under control of the normal schools in regard to curricula, methods and teachers.

About this time there began a rapid and carefully devised expansion among

the more advanced normal schools and teachers' colleges, especially after the incorporation in 1898 of Teachers College as a part of Columbia University. More positions had to be found for the increasing numbers of "union" teachers. The high schools, which had thus far grown up independently, now became the particular object of attack through State licensing laws. Today even private schools, although not affected directly by State laws, are often actually controlled through their need to be listed as "accredited" institutions, and one famous preparatory school, which hitherto had shown a preference for Rhodes Scholars and other men who had studied abroad, recently accepted the principle of State certification for its faculty.

This constant elimination of teachers of all other classes in favor of "licensed" teachers is consistently referred to as a process of "raising the standards." But in what sense is the claim justified? The answer is implicit in the following facts:

In reply to questionnaires addressed to four large sectional or national groups of high school teachers of English, two groups made no mention whatever of their previous teacher-training as an aid in their own class-room work. The other groups rated it as low as third and fourth in value as compared with their other preparatory work. One of the groups pointed out that the personality of the teacher is more important than the content of the course. It is highly questionable, however, whether the teacher-training trust develops the personality of its product.

A recent study of the interests of 1,080 students in fifteen teachers' colleges shows that very few read the higher-class magazines, while almost half are entirely indifferent to any of the fine arts and some are actually hostile to them. Less than 25 per cent read as much as one book a month; when they do read, their favorite

authors are Temple Bailey and Gene Stratton Porter (together with Charles Dickens). Shakespeare is half-way down a list of forty-two names, tied with Margaret Pedler and behind Kathleen Norris, Zane Grey, James Oliver Curwood, Harold Bell Wright and many others. The students approaching graduation showed no higher intellectual interests than the freshmen.

How can these people, as teachers, convey to growing boys and girls our great heritage of literature and art? Teachers' colleges today are so concerned with the means of teaching that the end is forgotten. No courses in pedagogy will supplant a thorough training in a subject that is to be taught. According to one prominent educational leader, a person who has had a course in the methods of teaching can give instructions in violin playing, even if he cannot play a note himself. One thinks of the pupils of Leopold Auer, and asks himself what violinists the teacher-training system has ever produced.

The growth of the teachers' colleges is usually justified as an effort to supply the teachers required by the growing demand for popular education. But is not this demand in some instances the result of efforts on the part of professional educators rather than an open expression of a craving for knowledge on the part of the public? Every chance for expansion has been seized, every obstacle to popular appeal has been evaded. When languages and certain sciences were found too difficult for many pupils, the courses were subordinated or abolished on the theory that acquired abilities are not "transferred" from one subject to another. Professor David Snedden of Teachers College would evade the unfortunate fact that many children fail to pass their courses in literature by giving up literature in the schools—along with physics and chemistry—for all but the upper 10 or 20 per cent, substi-

tuting for the majority of the pupils a study of the *Saturday Evening Post* and the newspapers.

It is only fair to say that some scientific studies of educational psychology have great merit—when not exploited for the sake of expansion. And it is true that there are signs of considerable disagreement among some of the ablest men in the teachers' colleges. Professor W. C. Bagley attributes the decline of the schools as a moral and intellectual force to their effort to secure popular appeal at any cost. Professor E. L. Thorndike fears now that compulsory school laws have often kept the dullards in school and left the best pupils free to drop out to work. The principal of the Horace Mann High School in New York City contends that the proposed suppression of all private schools would, fortunately or unfortunately, result in educational conditions like those of Soviet Russia.

But no such individual views have affected legislation, nor have they modified the major operations of the system. An American child is compelled to attend school until he is 14, 16, or even 18, and there is considerable agitation for a compulsory school age limit of 20 years. On either side of established school ages the sappers are at work for additional expansion. According to the director of the Iowa Child Welfare Research Station, "education for parents beyond the 'school age' and for children below the age of 5 may be considered the two outstanding movements in the educational field today." Since the enunciation of Professor E. L. Thorndike's theory that full-grown adults continue to learn rapidly into old age, it is no Wellsian fantasy to suppose that we may have the entire population of the United States attending school—or teaching—or teaching teachers—or conducting researches into the teaching of teachers. All this, of course, if the public treasury can stagger along under the burden.

The total expenditure for public schools increased eightfold between 1903 and 1928, and now education is the largest industry in the United States. Over \$5,000,000,000 is invested in school buildings and equipment, while \$3,200,000,000 is expended annually for elementary, secondary and higher schools. In 1932 the budget of New York City for public school purposes alone is set at \$212,000,000. In West Virginia in 1931, said the State Superintendent of Schools, only two or three districts out of 397 could support the minimum State program. The cost of public schools is the largest single cause of direct taxation in every State, and the issuance of billions of dollars worth of bonds for school buildings has made many communities virtually insolvent.

The more influential men in the teachers' colleges and schools of education may be called the board of directors of the largest corporation in the world. The system which they represent operates through the most highly protective laws on the statute books—compulsory school age, tax levies for school purposes, State-adopted curricula for public schools, and highly technical qualifications for teachers' licenses. Yet the corporation is not an ordinary business institution, governed by laws of supply and demand; it is based on a philosophy and is backed by political action.

Thus far the current depression has delayed teachers' pay checks here and there and has caused cuts in salaries in nearly half the cities in the United States, but it has had little direct effect otherwise. There are too many available teachers—thousands in almost every State. The teacher-training trust therefore proposes certain remedies, it is to be suspected, more for the purpose of increasing its own prestige than anything else. Individuals or boards of high authority have advocated the reduction of excess teachers by eliminating all, of whatever experience or general qualifications, who have not received at

least two years' training in a State-approved teacher-training school. Another suggestion would put idle teachers to work as coaches for backward pupils, while a third would force all married women, even though properly accredited, out of their positions so that new teachers might find a place. Finally, it has been proposed that two years be added to the required course in teacher-training.

This last scheme would correct the overproduction of certified teachers by doubling the demand for the services of the teacher-trainers, just as if a factory were to curtail its production by working overtime. The method could be extended indefinitely, so that the greater the excess of certified teachers the longer would become the period of teacher-training. In none of these suggestions, however, is there any hint that we should return to a qualitative selection of teachers for the schools.

To those who are interested in liberal education the problems of taxation and of employment are less immediate than the question of intrinsic value. It is not improbable that the cultural sterility of the United States is at least in part attributable to the desiccating process called training to which our public school teachers must submit in order to secure licenses.

The graduate schools of universities, with their aim of advancing knowledge, and the liberal arts colleges, with their aim of enriching the student's capacity for life, have no limit to their growth except the measure of their value to mankind. But now that teaching is established as one of the most overcrowded of professions, what is to be said of the teachers' colleges, with their emphasis upon "method" rather than upon "matter," their worship of mass production rather than the shaping of the individual intellect? Institutions "whose sole function is the preparation of teachers for the schools" cannot justify a continued policy of expansion.

# China's Loyalty to Ancient Ways

By WALTER H. MALLORY

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IS China succumbing to Western influence? We are told by newspaper correspondents, by travelers and, most enthusiastically, by the Chinese who are able to speak to us in our own tongue, that she is, that the age-old Chinese civilization is at last showing fissures. Since the dawn of recorded history China has been able to preserve a social and cultural unity which has withstood the blandishments of every other civilization. For centuries the West has been beating against the doors of Chinese aloofness with ever-increasing insistence. It has been met by all the force and skill which an antiquated form of organization has been able to summon. China has fought five unsuccessful wars to preserve her insularity, but she has finally recognized that even war is powerless to stem the tide.

It should not be believed that these changes have been made overnight. The story is dramatic, but it has been overdramatized, and the notion in the West that China is rushing headlong into a new era has gained wide currency. This belief is probably due to three factors. Most of the visible change is occurring in the treaty ports, the only portion of the country which most foreign travelers or business men see and that portion of the country in which the correspondents of our papers reside. Then, organizations such as the Institute of Pacific Relations and the Institute of Politics

at Williamstown spread world-wide the discussions and reports which form the basis of their work, and these are naturally devoted more to the changes in progress or those contemplated than to the situation in China as it is today. Finally, the Chinese with whom Westerners come into contact and who thus serve as interpreters of their country are with few exceptions products of Western education. Many of these young men know the West better than they do China. During their formative years they were away from their homes, some in other countries, and the changes which they sense are sometimes wrought in their own souls.

Such young men often state that the family system which from time immemorial has been the social and economic unit in China "has definitely broken up and can never be restored." What gives such color to their thought is perhaps their own experience, for having lived for years apart from their families they find that the old restraints have fallen away and the old ties loosened. Their friends, also trained in the West, have had similar experiences. But China is a vast country. A quarter of the earth's population lives there. The experience of a few thousand Occidentalized students can hardly be a reflection or a measure of the feeling of the whole people.

Changes are taking place in the United States. Yet no one supposes that they are more than normal to the present era. One would even hesitate to suggest that the Russian has fundamentally altered his characteristics because of the adoption of Bol-

shevism by those in control at Moscow. But it is commonly—and erroneously—assumed that the Chinese are undergoing some subtle racial metamorphosis because they have been temporarily joggled out of the old rut by the West.

The introduction of machinery and the beginnings of industrialization, elements from which economic and social change most easily evolves, are often cited in support of the theory that China is rapidly taking on Western forms. But if one considers the figures it becomes apparent that her industrial organization at the present time is comparatively unimportant. In the *Annual Survey of American Foreign Relations* for 1930 the following table appears:

	POPULATION.	FACTORY POPU- LATION.	P. C. OF EMPLOYEES.
United States	120,000,000	9,724,000	8.0
Japan .....	60,000,000	1,875,000	5.0
China .....	435,000,000	413,000	0.1

The paucity and unreliability of statistics in China should cause one to treat this comparison only as a general index of the situation. It should be also noted that the number of factory employes cited does not include Chinese who work in foreign-owned plants in the treaty ports. Factory laborers are found only in the largest cities, usually the seaports, and probably more than a third of the total are employed in and around Shanghai. Three quarters of China's industrial population are employed in the manufacture of the cotton and silk materials out of which clothes are made. In 1928 there were seventy-four Chinese cotton mills with 2,087,506 spindles and 13,907 looms. It can therefore readily be seen that the influence of industrialization on Chinese life is at present extremely small. It is growing, of course, but not at a rapid rate.

The attempt to spread Western influence often meets obstacles which cannot be conquered by mere mechanical means. When railroads were being built over the great plains of China the question of what to do with the

grave mounds which dotted the territory was a serious one. The railway had to run straight; so countless graves had to be moved, a profanation which in China is no light matter and which met in some cases with violent resistance. With the building of motor roads today engineers encounter the same difficulties which confronted the railroad construction of sixty years ago—an active resentment persists after all these years.

In the case of the river steamers the vested interests of the junkmen have caused trouble. For tens of centuries transportation on the Yangtse River, for instance, has been by junk. To take a load up the rapids required weeks. The river steamers with their regular and rapid schedules introduced competition which the junkmen could not meet. They were well organized and they fought in every possible way—and are still doing so. But this reaction is not peculiar to Chinese, nor are their home craftsmen alone averse to the introduction of the machine. The only difference is that in China feeling runs higher and resistance to change is more stubborn. Eventually all these institutions which are inseparably linked with modern organization may establish themselves. But they will not look the same nor will they be the same there as they are in the West. Every Chinese is critically aware of what is going on, and he is more likely to make them conform to their new environment than to be conquered by them himself.

The per capita value of the imports of China in 1929 was in the neighborhood of \$2. Of these imports more than half were composed of raw materials, foodstuffs, metals and living animals. This means that less than a dollar's worth of foreign manufactured goods was taken by each Chinese. Yet in the same year the Japanese each bought foreign goods to a value of \$17. The Japanese, however, have adopted the forms of Western organization almost in their entirety. They have remodeled their country

along modern lines and have built up an industrial system which is now wholly Japanese in its operation. The Chinese had an opportunity to do likewise, but did not follow Japan's lead. The reason must in large measure be attributed to Chinese satisfaction with the old order.

Now, after much prodding and with the dynamic forces of Western enterprise well established within her borders, China has begun to move, but at a speed which shows little acceleration. It is an interesting fact that the stanchest supporters of economic change are youthful, and that the urgency of the call for change decreases in direct proportion with the age of the leader. Yet there are many men of Western training who have reached mature years. Why are not more of them in the van? If the activities of the individual foreign-trained Chinese could be followed year after year it would no doubt be found that there is a gradual settling back into the more congenial rut of Oriental ways.

The history of Chinese attempts to organize their economic order in the Western way yields very few examples of success. They have formed corporations to acquire and operate steamship lines, to develop iron and steel works, to engage in manufacturing and trade, but very few of these companies have been successful. Corporate action, responsibility of individual company officials to a group of stockholders, the necessity of doing business by written contract rather than by verbal agreement—all these are alien to Chinese ways, and some of them run counter to established codes. One of the greatest difficulties in a corporate form of organization arises from the dual responsibility which a director or officer feels, on the one side to the company, on the other to relatives who seek his influence to obtain positions or favors. Nepotism has been the cause of the failure of many promising enterprises. The family system is

still very far from disintegration. One is reminded of one of the objections of many Chinese to the present National Government at Nanking, which is critically spoken of as the "Soong Dynasty." A newspaper account of the funeral of Madam Soong, recently held in Shanghai, stated that "behind the hearse conveying the body of Mrs. Soong there walked her son-in-law, President Chiang Kai-shek; her eldest son, who is Minister of Finance; two other sons who occupy high posts at Nanking; her eldest daughter, who is the widow of Sun Yat-sen, founder of the Chinese Republic; her second daughter, who is wife of the Minister of Industry at Nanking, and her youngest daughter, who is wife of President Chiang Kai-shek."

One is told that the principal deterrent to a more rapid modernization of China is the lack of a stable and effective central government. That is undoubtedly true. But it is because the Chinese are so conservative and so unyielding to change that the effort to erect from the rotted timbers of a decayed monarchy a new republican structure has been attended by such meager success. A people so unanimously committed to change and so fired by a determination to modernize their country—as the Chinese are so often represented to be—would demand a form of political organization which would permit modern economic forces to be effective.

We may admit that China is said to be making a valiant effort to establish a democratic form of government. But it would be better to say that the attempt is being made by a group of leaders with Western education. They are not having an easy time of it. Faced on the one side by agitators who have succumbed to Russian Communist theories, and on the other by reactionary military leaders who demand local autonomy for the territory over which their personal armies hold sway, the Nationalist Government at Nanking has been involved in constant

strife. Coupled with this is the recent defection of the South and the establishment of a rival government at Canton. All this turmoil and confusion can be laid to the introduction into China of Western political theories which the conservative natives have been unwilling thus far to accept.

In the old days of non-intercourse the Son of Heaven sat upon his throne and viewed the "barbarian" world with disdain. The members of the last dynasty which ruled China, like most others that had gone before, originally were aliens who swooped down from the north and conquered the Middle Kingdom. But like all the others they were slowly but surely absorbed into the body of Chinese cultural solidarity. Until the latter part of the nineteenth century, when Western pressure began to be regarded as a menace, they were as Chinese as those they ruled. All the aversions to change and all the satisfactions with the Confucian concept of social and political organization were as firmly shared by the Manchus as by the Chinese. Thus the dynasty sought to shield the country from alien influences and engaged in several disastrous wars to gain that end. Meanwhile, there grew up in the court a faction which became convinced that only by adopting Western ways was there salvation for the country. The Empress Dowager, who ruled, could not be induced to accept this view, and the Boxer uprising in 1900 represented a desperate last stand against Occidental ideas. She would drive the foreigners into the sea, and, having proved that they were vulnerable, she would then be able to convince the modern element at court that the old ways were best. But Western organization was superior for that kind of struggle, and would not be stayed. From that date on, the disintegration of the old régime proceeded with ever-increasing speed until the revolution in 1911, which in theory brought in a new political order.

The Chinese, however, have not lost any of their individualism in spite of the change in the form of political organization which has come about. Their integration is spiritual rather than political. China has often been called a civilization and not a nation. It is a group of families who do not easily accept government from above. It can therefore be imagined how difficult it is for the authorities in the capital to exercise the sway over the people which is exerted by governments in the West.

The history of the past twenty years is a story of baffled leadership. The leaders want a democratic government, but the people on which a democracy must depend for its life want only to be left alone as in the old days. Government to the Chinese is an institution which exists afar off in the capital city. It is not a matter for the average man to concern himself about. The life of the people runs along smoothly because Confucian concepts tested by centuries of experience provide for all the ordinary exigencies of social and economic intercourse. The people for the most part are not governed by written codes of law; business is not done by contract; and in case of unusual emergency, the District Magistrate can be called upon to arbitrate. Thus the central government exists in the public mind only to deal with problems which are very remote from the interest of the individual citizen, such as foreign affairs. Perhaps that is why support is more easily obtainable for a boycott against foreign goods than for the program of the Kuomintang, the leading political party in China. Distrust of the foreigner and all his ways, and the belief that most of the ills of the country are due to him and his peculiar practices, are widespread. The introduction of new things has threatened and continues to threaten the livelihood of the people, and so, if the troubles of the country are due to the for-

eigner and his ways, why try to find a cure by accepting them? What the people do not perhaps see is that the difficulty is not inherent in the new ways but arises from their own lack of adaptability in making them work.

The recent social changes in China in the treaty ports and near-by areas have seemed to be important. In the interior the beginnings of change are occasionally to be seen. In centres which have long been subject to foreign influence, for instance, there is impairment of the strength of the family as the economic and social unit. This is less discernible in inland cities and in the rural districts no sign of this drift has yet appeared. There the vast majority of China's millions live their lives in the traditional way, remote from the dynamic forces which shape the world, and not interested in them. But in the great centres of population near the coast, economic and political changes are in constant conflict with the family system. The introduction of fixed codes of law and of "democratic" principles of administration would weaken the political sanctions of the old order, and the development of the factory which would replace native industries would lessen the economic benefits of the family.

Wherever family ties have been loosened, there is a freeing of the individual, and if this continues and becomes general it will constitute China's greatest social problem. These liberated men and women are no longer restrained by the traditional social and moral ties which imposed definite rights and duties on them; they are now free agents who have not accepted the standards of the West but seek to evolve a new code which will be more congenial to their racial requirements. It is this small group, most of them young people, which is telling the world how fundamentally China has changed. They have renounced the dictates of their elders. They are free from family bondage, from parental despotism and from

established social conventions. But they have found no new code yet and their elders are looking on with a critical eye, believing firmly that they will return in the end to a way of life which approximates the old order.

China is an enigma. She has almost constant wars; yet her people are the most peace-loving on earth. There is no country where graft and corruption are more rampant than China; yet her citizens are intrinsically as honest as any. China is the most conservative nation in the world; yet social and economic change is undoubtedly in progress. Indeed, one can adduce many concrete examples to show that she has thrown all her old codes and traditions overboard. But those who have lived long in intimate contact with her people suspect that the change is superficial, that it is the result of compulsion, that it has been accepted most reluctantly, and that they are determined to blend it with their time-honored customs if possible, and if not to cast it out when they are strong enough. To reject modernization would seem an idle hope unless, indeed, the machine which the West has built becomes unmanageable and we all go down in a grand crash, which is unlikely.

One of the strongest arguments for the persistence of Chinese traditionalism is the rapid growth of the new nationalism. This is nothing but the old conservatism which accepts with an ill grace the ideas and ideals of the West. The enormous support given to the nationalist cause, because of its avowed antipathy to foreign influence, is a measure of China's loyalty to her time-honored institutions. Every stanch isolationist in the United States must feel a certain kinship to this Chinese awareness of the dangers in foreign relations. While the American of such leanings does not wish to become enmeshed in European entanglements, the Chinese wish to keep clear of the whole world.

The city of Hankow, which has re-

cently undergone such disastrous floods, contains an area along the river front which was built by white men. In this foreign quarter the streets are wide and well paved, the buildings substantial; running water, sewerage, electric lights and other improvements are there to serve the people. The old wall which originally enclosed the section has been razed, and a wide avenue now marks the boundary. On one side of this street is the old foreign concession, on the other the Chinese native settlement. There stands a striking illustration of the impingement of the West on the East. But there is no merging of the two orders of society. It is a sharp cleavage. On the one hand is a well built city with order, cleanliness and comfort; across the street is a confusion of shabby one-story Chinese houses, a seething mass of humanity with all the attendant atmosphere of disorder, and the foul smell that clings to every Chinese community. For years and years these people have had the West at their doors, but they have not yielded to it. The few who have a Western education may reside or work in the foreign city. They may recognize its merits, But the vast majority prefer their own indigenous way of life.

While this is evident in those areas where Western influence stands elbow to elbow with the Chinese, it is to an even greater extent true in those communities which are removed from direct contact with foreigners. An American archaeologist once remarked, in walking along one of the principal thoroughfares of Sianfu, a community which is much more representative of conditions in China than is Hankow, that if Marco Polo were to return to that spot, he would be unable to discern any visible

change from the sights and sounds which had greeted him there in 1275. He would see the same jostling crowds of natives, dressed in the same style, trundling wheelbarrows or carrying implements fashioned after the ancient models which were already old in the thirteenth century. To be sure, the cotton cloth from which their clothing is now made might have been dyed with German dyestuffs and woven in the mills of Lancashire, but that would not be apparent to the casual eye. Whatever is taken from the West, so far as Chinese ingenuity will permit, is forced into the Chinese mold. Some things are not easily adaptable and are reluctantly accepted only if they will fit some need ordained by custom or comfort. Sianfu is a provincial capital and a city of importance. Some day the railway will be extended to connect the city more closely with the coast. The camel trains which bring in products from Central Asia will give place to the "fire wagon," and the streets will have electric lights and perhaps even traffic policemen. But it will be very long indeed before the peculiar flavor of that community is changed, for the natives really like their old ways best.

For one who has lived long in China it is difficult to dispel the feeling that it is only in the forms of life—not in its Chinese essentials—that change has come. The Chinese somehow seem as wedded to the past as ever and, at heart, loathe the road to progress into which they have been forced. But follow it they doubtless will. Only the order of their going will be determined by the people, no matter who directs the march. As Mencius said, "the people are the most important element in a nation; the spirit of the land and the grain are next; the Sovereign is the least in importance."

# The Japanese at Home

By GEORGE FREDERICK

FROM a foreigner's point of view the Japanese is the most baffling person to fathom even to the extent of a fair understanding. An investigator after two or three months' contact and study feels quite sure that he is able to write a great deal about the genus, notwithstanding the fact that most of his information is hearsay accepted as fact by frequent repetition; a year's stay will generate a book, but after five or more years' residence with daily contact on the street, on street cars, on trains, in business, in the homes and through the countryside, a philosophic writer throws up his hands in despair because when he undertakes to make a positive statement his experience warns him that a contrary statement may be just as true.

A foreigner is always an outsider, as he is in all countries, and the majority of casual foreign writers live in foreign-style hotels, very few adopting a mode of living entirely different from their own, and thus they are unable to enter into the native life and customs or to know very much about the Japanese. The various groups which so often arrive on one mission or another and are taken in hand by the government are shown what the officials desire them to see. Only when a foreign resident builds a Japanese house and comes in contact with the singular superstitions and customs of the many trades engaged in that work does he have the practical opportunity of learning something about that stratum of society. Afterward, when he occupies the house and has to deal with the vendors who supply his food and other needs, does he acquire a further

knowledge of the common people unobtainable by the average investigator or group of investigators.

Innate modesty is a paramount characteristic of the Japanese male and is one reason why he is not understood by Westerners. He realizes the difficulty of explaining himself in English and does not attempt to do so. This difficulty, together with his traditional indisposition to parade himself and his own and his nation's achievements, has given rise to all manner of misunderstandings and has left the Japanese open to the interpretations of an uninformed world. An aversion to oral expression has given him the reputation of being one of the most taciturn of humans. Denying himself the satisfaction of self-expression, he delights in understatement. Thus, when forced to speak about his possessions, anything which is his is always belittled as being inferior and of no especial value. His son, though a bright lad, is described as a good-for-nothing boy. He adores his children and is not modest in showing his affection for them; in return, filial piety is a traditional trait of the Japanese. The love of Japan herself—her mountains forested to their tops, her restful land and seascapes, waterfalls and rushing rivers and verdant rice fields with never a fence in sight—is the one thing which will cause a Japanese to break his reserve and express his admiration for his country.

Courtesy is defined as politeness combined with kindness. This characteristic is very marked among the Japanese. Politeness greets one on every hand and from every class, with the possible exception of a radical,

half-baked student here and there who in his callow days is absorbing communistic ideas. How genuine it is no one except a Japanese can say. One questions its sincerity when one sees a Japanese greeting a friend. Then there is an immediate lifting of hats and a prescribed, traditional formula follows which seems to make the greeting a mere gesture; with many bows each asks about the other's health, the health of the wife and children, of everybody; they inquire about their respective affairs and business, and then proceed to discuss any particular matter between them that seems to be of importance. In the meantime one watches the other closely so that bow shall respond to bow, and when one of the men happens to be of higher rank or position than the other, then such greetings become very ceremonial indeed, with an abundance of bows on the part of the inferior. But there is no question about the sincerity of the average Japanese who comes to the rescue of a bewildered foreigner endeavoring to find some particular place. Such a man will sacrifice his time and go far out of his way to direct and even take one to his destination. In no other country in the world can one get so much for a smile as in Japan.

An inherent love of nature is a strong national characteristic of the Japanese that is shared by all classes. Their esthetic tastes are evidenced in the annual moon-viewing ceremonies, insect-hearing festivals, firefly viewing and the tea ceremony. When the October moon is full and at its best, thousands of families, on the night determined by the lunar calendar, place tiny altars on the veranda where the moonlight falls and make offerings of food, fruits, flowers and Autumn grasses to the brilliant satellite. Poems are composed for the occasion and stories are told in the light of the moon. The insect-hearing festival is a picturesque rite which has survived from feudal days. Old and

young foregather in chosen spots in gardens and other places where the festival is held, carrying their insects in tiny cages, some of which have been brought from the gardens of individual homes, and others from one of the many vendors especially for this ceremony of "Freeing the Insects." In cool glens and in softly lighted bower the cages are opened and the tiny captives freed. Then, almost breathless, the liberator waits for the insects to get their new bearings, realize their freedom and send forth their rejoicing in sibilant song.

Japanese poetry is almost entirely an impressionist rendering of nature. In outline it is intended to appeal to the reader; the details will be added by his own nature-love. The most popular subjects are flowers, birds, or cherry and plum blossoms; the moon and the falling leaves of Autumn; the Winter snow and the mist upon the mountains; a pine tree on the seashore or the sun rising above the waves. Yearly the whole nation is invited to compete in writing odes on a subject selected by imperial direction, and in this competition the Emperor and Empress, and today the Dowager Empress, all submit poems. The 1930-31 subject was "Snow in Front of the Shrine." The number of poems received annually is generally above 25,000; the best five, after those of the imperial family, are selected by the Poetry Bureau as the poems worthy to be read before the Emperor.

Japan keeps her faith and her abundant temples and shrines; one sees them in every village. Few groves of trees are without a shrine and its entrance *torii* of two pillars with a crossbar. Yet with all these evidences of worship many observers declare that the Japanese take their religion lightly; they have no set day of worship, and as a rule shops are open and business proceeds the week through except in the government departments and in some of the large stores in the cities, the doors of other shops being closed only on the first and fifteenth

of each month. There is nothing in the shrines and temples similar to a Christian service. Worshipers alone or in small groups continually visit these sacred edifices; standing in front of the main entrance they clap their hands to attract the attention of the enshrined deity, and if it is a Shinto shrine, toss a coin into the offertory-box, bow their heads and mutter a brief prayer; before a Buddhist temple a gong-rope is pulled to announce their presence to the gods of that temple. This act of worship occupies less than a minute and appears to be perfunctory; apparently it does not matter whether they pray before a Shinto shrine dedicated to ancestor worship, or before a Buddhist temple which stands as an exponent of a highly developed philosophic creed.

The Japanese are highly emotional, but maintain an armor of inscrutability which Westerners penetrate only with difficulty. Occasionally emotion cannot be suppressed and breaks out violently. A few years ago even the most exciting plays at some of the great baseball games did not move the huge crowds to shout; they sat, thousands of them, absolutely silent as if at a funeral. Today a Japanese baseball crowd is not much different from the American, but this does not alter the fact that suppression and not expression is the mode of Japanese life. When telling of some misfortune or of the death of a parent or child, they will smile in a way which a Westerner considers heartless, although the teller may be near the breaking-down point.

Vanity, it is obvious to the most casual observer, is a manifest characteristic of the Japanese male. It seems to afford a Japanese the utmost satisfaction if some one, no matter who it is, can be impressed with his importance, to regard him as a more superior person than he really happens to be. Vanity permeates all classes. It is the motive which induces head volunteer firemen, head carpen-

ters, stone masons and the head of this and that to have their bodies elaborately tattooed—an art in which the Japanese have no equals—so that they may be the envy of their fellows at the public baths and elsewhere. Conceit, the correlative of vanity, is shown by Japanese cocksureness in most matters. A merchant, for instance, catering to foreign customers, will have an expensive sign lettered in English, but he never considers seeking advice from some competent person. Among the classic signs is that of a Tokyo dressmaker, established on a second floor, who announced to the world that "Ladies Have Fits Upstairs." A constant stream of announcements, catalogues, &c., are published in a Japanized English that is indeed startling.

These observations concerning vanity may seem to conflict with the statements concerning modesty, but the distinction should be made that while they are modest in verbal expressions concerning themselves and their families the Japanese are vain in their attitudes and manners. Unquestionably, the Japanese are a proud race. Their 2,500 years of history record no defeat by a foreign foe. In 1281 they repulsed the army of Kublai Khan, and with the help of a "divinely sent" hurricane destroyed the immense Chinese flotilla that conveyed them; they were victorious in the Chinese-Japanese War of 1894-95 and in the Russo-Japanese War of 1904-05. These victories over foreign nations have imbued the nation with its belief of invincibility in war. The marvelous industrial progress of the past seventy years is a just cause for pride. It may be this pride which makes the majority of them so unapproachable, desirous of holding themselves aloof, or it may be insular pride, or inherent shyness.

The psychology of the Japanese tends to lead them along devious and roundabout ways, leaving much to be implied, like some of the tenets of Buddhism. Upon being pressed for the

truth upon some matter and unwilling to state it, a Japanese will dodge the question with some specious answer or calmly reply with the subterfuge that he knows nothing about it. Seldom does he come out with an unwelcome truth and let the consequences take care of themselves. Sometimes this attitude is caused by his desire to spare the feelings of his questioner, or to protect his friends—for the Japanese today is quite as clannish as in the days of feudalism—but more often he is following a national tendency.

In international affairs, perhaps because of their youthfulness in the family of nations, but more because they lack international perspective and knowledge and are prejudiced as to their own value and importance, the Japanese do not take the lead. In recent international agreements and pacts, ratifications have in no case been made before those of other interested nations. The people as a whole are insular and untrained in international thinking, a view expressed by Dr. Inazo Nitobe, one of the distinguished scholars of Japan and ex-Secretary of the Social Bureau of the League of Nations.

There is a widespread belief that the Japanese are shifty and dishonorable in their business methods. This is absolutely untrue so far as it relates to the great business concerns, although during the World War and afterward inexperienced mushroom firms sprang up, firms that repudiated contracts when better prices could be obtained, or did not deliver merchandise in quality up to sample. This practice has died out, experience demonstrating the fallacy of such

methods. Perhaps to a certain extent the tendency continues, and this has caused the inspection of standard articles for export.

In the world today there is no overwhelming love of the nationals of one country for those of another, and this aspect is more pronounced when race and color differ. A long residence in Japan discloses a present undercurrent of anti-foreign feeling which revealed itself two years ago when it was proposed in government circles to discharge every foreign teacher of English throughout the land. This incident also serves to illustrate the national tendency to go to extremes. When a luxury tax was imposed on the importation of certain foreign foods and goods, the tax was placed at 100 per cent, no less. This anti-foreign feeling is seldom shown on the surface, but, fostered by 300 years of seclusion from foreign intercourse, it became imbedded so deeply in the national conscience that in sundry ways it is still apparent. At the time of Commodore Perry's entry into Japan and for a long time afterward it was not safe for a foreigner to go unescorted by a guard beyond the limits of the settlement accorded him. This feeling has been kept alive by the attitude of superiority assumed by many foreigners, especially those who lived in Japan in the early days. Most guests today, however, retain only the pleasantest memories, and naturally, upon returning to their homeland, laud the Japanese in full measure. But they have had no opportunity for many glimpses below the surface, or to examine the nerve-centres of the nation.

# The Hawaiian Melting Pot

By BEN ROBERTSON JR.

**F**EW peoples in modern times have developed a State with more intellectual wisdom, with greater industrial possibilities or with finer social understanding than the people of Hawaii during their thirty-three years under American rule. They have established order, set up and carried on a government, organized industry and finance, established political and religious freedom, and to a degree almost unparalleled in contemporary history have learned to respect a neighbor's right of dissent.

The racial problems of Hawaii in 1898 were far more difficult and confused than any in any other American territory. The people of Hawaii were then a distrustful group of provincials, without many common interests except as to the ultimate fate of the troubled four-year-old Republic. They were divided in their allegiance between Liliuokalani, the exiled Queen, and Sanford B. Dole, the new executive of the territory. Japanese and Chinese, still Taoist and Buddhist in faith and still loyal to the East, turned their eyes to their homeland. The Americans, some of whom had come from California but many more of whom had been born in Hawaii, the sons and daughters of New England missionaries, clamored for American annexation.

There was constant talk of trouble in the mid-Pacific; business everywhere was virtually suspended; distress and depression were general. Each group gathered in secret places and considered means for their own ends. Honest Japanese in the islands wrote earnest messages to Tokyo, while more than one American made

speeches like that of the late Lorrin A. Thurston:

Let the American flag float supreme over Hawaii and every thought and rumor of revolution will vanish as completely and quickly as it has from Louisiana, Florida, Texas and California. Let the ensign of the great Republic once float as the symbol of supreme authority over the city of Honolulu and all that will be necessary to maintain it will be one soldier to hoist it up in the morning and to gather it in from the weather at night.

In the end, the Americans, talking longest and loudest, succeeded, and in July, 1898, the Hawaiian Islands, like Texas before them, were annexed to the United States by mutual agreement and treaty. The people then set about forming a territorial government, making peace with one another. Thus the people have risen above the prejudices of creed and color and actually and without hypocrisy have established a working social equality. They are friendly and courteous citizens, although their fathers and mothers were "American Americans," Hawaiians, Japanese, Chinese, Negroes, Koreans, Filipinos or Portuguese. Former Governor Wallace R. Farrington has said: "When we speak of Americans in Hawaii, we include, as you know, all of our native-born or naturalized people, socially equal, buying homes, rearing families, acquiring financial independence, working, playing, doing the things that other Americans do in almost as good or the same or in a better way." It is toleration which constitutes the final attainment of this American melting pot in the Pacific.

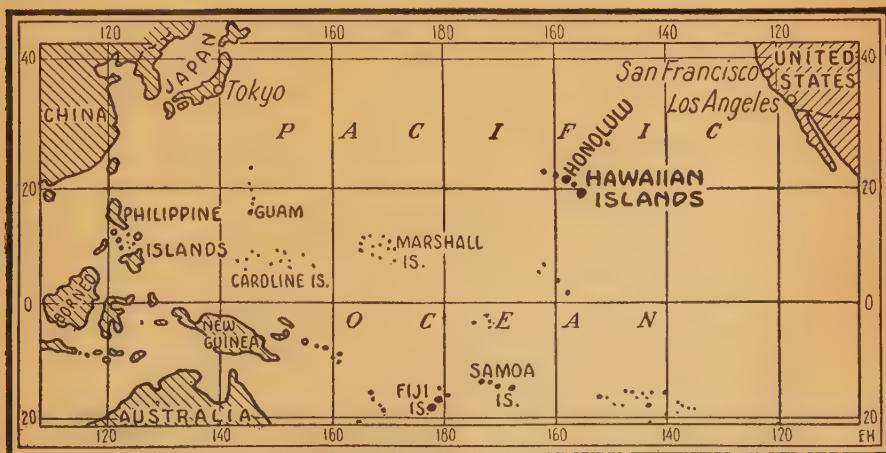
Politically, the people of Hawaii are either Republican or Democrat, and,

for all of them, the sugar tariff is the principal concern. It is true that Americans of a half dozen nations of Asia sit among the delegates of the Territorial Legislature, but there is not a person in Hawaii who would place any State assembly above his own in matters of loyal allegiance. In their private lives, they attend Central Union Church, slip off their shoes at the door of the Buddhist Temple in Nuuanu Valley, wear holokus, Japanese kimonos, or attend the Chinese theatre, or dance in the moonlight to the melodious native music. They have struck the happy medium of existence. All give; all take; none attempts to dictate to the other. Much of this condition has resulted from the friendly disposition of the Hawaiian. He has taken the Chinaman from his workshop; he has broken down the formalities of Japanese manners; he has mellowed the stern Puritanism of the missionaries from Massachusetts.

The seven major and thirteen minor islands of Hawaii lie 2,000 miles south and west of San Francisco in the middle of the greatest ocean. Warmed by the sub-tropical sun, cooled by the winds, they are stocked with cocoanuts, taro, yams, fish, bananas, mangoes, guavas, apples,

sugar, coffee, forests and fresh water; the lands are fertile; the scenery is rich. People can bathe every day of the year in the warm waters between the sandy beaches and the reefs; they can live in the volcanic mountains where the climate is temperate; and on Mauna Loa and Mauna Kea, on Hawaii, they can find snow. The valleys often are filled with rainbows; the flame tree grows alongside the hibiscus and frangipani in the gardens. Sometimes Hawaiians look to the Southern Cross; sometimes they see the North Star. Visitors soon learn that in the old Hawaiian language there is no word for weather.

Kauai, Oahu, Lanai, Molokai, Maui, Kahoolawe and Hawaii, in order of geographical location, are the largest of the Hawaiian group. Of the four principal islands, Kauai, the northernmost, is the smallest. Pronounced "koweye," it is called "The Garden Isle"; it possesses an area of 547 square miles, a coastline of 106 miles; Nawiliwili, its largest port, is ninety-five miles northwest of Honolulu. It is noted for the magnificence of Waimea Canyon, for its barking sands, for the fragile beauty of Hanalei Valley, with its rice paddies, and for the sheer Na Pali cliffs. The Kingdom of Miloli, off the Na Pali coast, a few hundred



THE HAWAIIAN ISLANDS

yards wide and a few miles long, was formerly inhabited by about 200 Hawaiians under their own king.

Oahu, the next island, a small body of land with two mountain ranges and a valley between, constitutes the city and county of Honolulu, with which are incorporated also the island of Midway, more than 1,000 miles to the west, and Palmyra, more than 1,000 to the south. Here, on a series of deep blue lagoons, is Pearl Harbor, the naval base; in the plateau between the ranges, to protect the base from the rear, is Schofield Barracks, the largest post of the American Army. Here is Nuuanu Pali, a lofty pass in the Koolau Mountains, through which the chill winds roar; Diamond Head, the extinct volcano on the edge of Honolulu; the bleak coast of Makapuu, the curved bay of Kailua, one of the most glorious bodies of water in existence. Here are the Bishop Museum, celebrated for its activities in Polynesia; the headquarters of the Hawaiian Sugar Planters' Experiment Station, whose technologists are noted for their work in all the sugar-growing countries; the aquarium, with its marvelous tropical fishes, and the Hawaiian pineapple canneries.

The Molokai leper colony is on an isolated ledge below an inaccessible cliff on the extreme northern end of that island. Leprosy among the Hawaiians has decreased from 4 to 5 in 1,000 in 1890 to 1½ in 1930. Lanai, the pineapple island, has an area of 90,000 acres and is the property of the Hawaiian Pineapple Company. Kahoolawe is an island of volcanic dust. Maui, 728 square miles in area, with a coastline of 146 miles is "The Valley Island." Kahului, its leading port, is ninety miles southwest from Honolulu; Wailuku is its largest city. Sugar plantations and cattle ranches flourish in the shadow of Haleakala, 10,032 feet high, the largest extinct volcano in the world. Hawaii, the southernmost and largest island, has an area of 4,015 square miles and a coast line of 297 miles. By

the Hawaiians it is called "The Big Island." Hilo, its city, is 192 miles southeast of Honolulu. At Kealakekua, on the west coast, Captain Cook landed in 1779 and was killed there by the Hawaiians. Mauna Loa, 13,675 feet high, rises, a grand dome, from the ocean and is one of the largest mountain masses in the world; Mauna Kea is 13,825 feet high; Kilauea, in Hawaiian National Park, is often a great pit of fire. On this island are coffee and cattle, and the irrigation system for sugar-growing is among the most efficient in use in modern times. One can stand in the coconut grove at Hilo and, looking toward the volcanoes, see the gigantic sweep of vegetation which grows between the Equator and the Pole, between sea level and timber line.

Men and women in Hawaii, when they founded their State, based their society on industry. Thus today the islands, for their size, are one of the richest areas on the globe. Economically, Hawaii already possesses the stability of a sovereign State. It has railways, a radio station and paved highways; in 1929 it had 5,284 farms—3,098 of the farmers were Japanese—valued at \$151,129,085; its 135,000 head of cattle were worth \$6,500,000. It shipped to the mainland 913,670 tons of raw sugar, worth \$61,914,000, harvested \$38,430,000 worth of pineapples on its plantations, received \$1,300,000 for the coffee and sent bananas valued at \$201,000 to Los Angeles and San Francisco. During an ordinary year 1,314 steamers with 10,142,347 tonnage call at Honolulu, carrying to mainland America \$106,385,000 worth of island products and bringing back \$82,498,000 worth of American goods. In 1929 Hawaii paid \$5,781,547 in internal taxes into the Federal Treasury; \$5,640,028 of this amount was from incomes. This exceeded the income taxes paid by fourteen States of the Union. The average net income of residents of the Territory was \$4,697 for that year, a figure far above that of twenty-nine

States. Between 1900, when Hawaii was organized as a Territory, and 1929, the islands paid \$107,672,109 in customs and internal revenue into the Department of the Treasury, and of that amount the Territory has received not one cent for local appropriations.

The Territory maintains excellent public schools and hospitals, and provides for an accredited university. Honolulu has become one of the most cosmopolitan gathering places in the world and rapidly is becoming the intellectual capital of the Pacific. The last city in the Western World, and the first city in the East, there perhaps is no other American community which has done more for international friendliness than has this city on Oahu.

Of the 368,336 people in Hawaii, 137,407 are either Japanese or of Japanese descent; 87,700 of these are citizens of the United States. For many years both Japan and the United States claimed their allegiance, but the young nationals, in 1924, petitioned the Japanese Diet to expatriate them as they considered themselves, and wished to be, citizens of the United States. The Diet responded with the necessary law, relinquishing all claim to their allegiance. In a hundred other ways, the Japanese of Hawaii have striven to demonstrate their loyalty so that the "American Americans" in Hawaii have implicit faith in their honorable intentions.

There used to be an undercurrent of gossip in Honolulu that, if ever the Japanese should rise in rebellion, the United States Army had things planned so skillfully that every Japanese in the Territory would be under arrest almost immediately. One never hears such talk now. The people no more consider the Japanese a threat than they do the presence on Oahu of a division of the American Army.

There are 38,006 Americans of mainland descent in Hawaii; 50,860 Hawaiians, 27,179 Chinese, 6,461 Koreans, 63,052 Filipinos, and 27,588 Portuguese. They are happy and prosperous and on many occasions laud the benefits of American sovereignty. Japanese, Chinese and Hawaiians are playing a more and more important part in island politics, and the Princess Kawanana Koa has become a Republican National Committee-woman from the islands.

In almost all matters—even more so than in the case of former Territories—Hawaii is virtually an autonomous State. It does not vote for its Governor, it does not vote in Presidential elections, it sends no delegations to the United States Senate, but it administers and retains the funds from its public lands, and receives Federal aid for its roadways as do the States. Almost the only thing the Territory lacks is the legal status of a State.

No people will accept for long the privileges of freedom without demanding that they be allowed to share the obligations and responsibilities. There is a strong movement for statehood. Former Governor Farrington has expressed the desire: "We feel that our progress entitles us to recognition as equals. There is just one way in which that recognition can be granted—by statehood. We do not ask it for economic reasons. It might or it might not be better for our commercial status. We ask it as a matter of autonomy." There is no telling how long the people of Hawaii will be obliged to petition Congress for admission into the Union. Until that time comes, however, we may consider it certain that the Territory will continue in the Pacific "to face its problems as might be expected of free-born, ambitious, well-educated, liberty-loving sons and daughters of the United States."

# Atom and Universe

By WATSON DAVIS  
*Managing Editor, Science Service*

**R**ESEARCH in physics is equally vigorous at both extremes—in the interior of the atom and on the far reaches of the universe. The same reasoning and facts often illuminate both the smallest units of matter and energy and whole aggregations of atoms, stars and nebulae. In the realm of the atomic, the neutron is now seen as a possible new building block for the elements and a new kind of particle. It may take a place beside the electron and the proton in man's conception of the composition of the nucleus of the atom. The electron is the negatively charged particle or unit of electricity, the proton the positively charged particle. The neutron is a close combination of the two.

The idea of an electron and a proton combining to form an electrically neutral particle is not particularly new; it was put forward as an "attractive speculation" last year by two American physicists. A Swiss scientist, working in this country, also saw the usefulness of the neutron in explaining some of the hyperfine structure in the line spectra of elements. But now, after exploration of the structure of the atom, there comes some evidence that the neutron may actually exist.

This revelation, if confirmed, began with experiments by Professor W. Bothe of the University of Giessen, Germany, in collaboration with Dr. H. Becker. Professor Bothe, however, did not consider that the radiation he secured by bombarding the metal beryllium with alpha particles (that is, the hearts of helium atoms moving at high speeds) consisted of neutrons. He concluded that it was super gamma

radiation, more penetrating than the radiation from radium. But his experiment may prove to be the first step in the realization of the old hope of tapping the energy of the atom, for in the Bothe bombardment, energy was gained at the expense of the matter in the atom nucleus. Dr. Bothe reported:

"Our experiments show that energy is gained if any alpha particle is shot into the beryllium nucleus. That is to say, by addition of an alpha particle to the beryllium nucleus, there is produced a carbon nucleus of atomic weight 13, which contains less energy than the two original nuclei together. These experiments give a hint as to the way in which the building up of the atom nuclei actually takes place in the universe—the heavier nuclei are produced by steps from the lighter. A series of other light elements, as well as beryllium, can be artificially excited to gamma ray emission. The production of artificial gamma rays is just as general a phenomenon as the breaking up of atomic nuclei. In this radiation we have a means of studying the structure of the lighter atomic nuclei; we are standing at the threshold of a 'nuclear spectroscopy.' Indeed, the light atom nuclei are of special interest. They are most simply built, and we can here first expect to penetrate the still unknown principles of nuclear structure."

Later, Mme. Curie-Joliot and M. F. Joliot of the Curie Institute of Paris showed that when the secondary beryllium rays strike hydrogen-containing substances they again produce positively charged particles with very high energy—an effect which is not

readily compatible with the view that the secondary beryllium rays are quanta (that is, electro-magnetic radiation, like gamma rays).

Immediately after, Dr. J. Chadwick of the University of Cambridge, England, as a result of similar experiments put forward the view that the mysterious beryllium rays are the long-searched-for neutrons. According to his hypothesis, when the beryllium nucleus captures an alpha-particle, it adds only three units to its weight, transforming itself into carbon of atomic weight 12. The extra unit of "matter" becomes a neutron consisting of a proton of mass 1, together with an electron of negligible mass. The two are supposed to be closely bound together, not with the electron revolving in a relatively large orbit, as happens within the atom of hydrogen. Dr. Chadwick has been led to assume the transformation of beryllium 9 into carbon 12 in order to account for the enormous energy of the recoil protons produced from the nitrogen atoms struck by the rays, which can produce some 30,000 ions and have therefore an energy of about 52,000,000 volts.

In the realm of the universe as a whole, a hypothesis of two great relativists, Professor Albert Einstein and Professor Willem de Sitter, suggests that space may be and probably is the sort of uncurved, three-dimensional space that Euclid imagined. Although (in a sense) they discard the less familiar and more complicated brands of space-time that Einstein has been using, this does not affect the validity of relativity.

Professor de Sitter, the Dutch astronomer, who had built his own shape of universe on Einsteinian foundations, joined with the father of relativity in espousing a space which is more or less Euclidean as a result of their working together recently at Mount Wilson Observatory. Their pronouncement means that the universe around us may be not only unbounded but also infinite, instead of finite and unbounded, as Einstein and his follow-

ers have previously believed. In the Euclidean universe now re-enthroned, light travels in straight lines and goes on and on forever. A ray of light would not traverse the circuit of the universe and come back to where it started, as it was believed to do under the superseded space-concepts. Curvature of space is, in other words, banished from the universe.

Two important developments made Einstein and de Sitter change their ideas of the universe. One of these was the piling up of evidence at Mount Wilson Observatory that the shift toward the red of spectrum lines in light from far distant nebulae is evidence that the universe is expanding at a terrific rate (as much as 15,000 miles per second) and that the further away the nebulae are, the faster the recessions. The other factor was the demonstration that an expanding universe can remain permeated with matter and still be Euclidean. When Einstein built his first universe, he did not dream of an expanding space. He thought it static and constant in size and found himself forced to make space curved to fit this idea.

Combining the new ideas with the equations of Einstein relativity which have stood the test of time, Einstein and de Sitter have been able to compute the density of matter in the universe and have found that their calculations compare favorably with current ideas as to how matter is spread throughout space. They report, however, that as more astronomical data are gathered it will undoubtedly be possible to determine with more precision the density of matter in the universe. If it should turn out that there is more matter per volume of space, then it will be necessary to return to the original Einstein space, even with an expanding universe. If matter is more sparsely distributed, it will be necessary to learn to live in a space of average negative curvature, such as Lobatschewski, the Russian scientist, dreamed of approximately a century ago.

The results of a triple test of the first successful direct measurements of the energy of cosmic rays were announced by Dr. Robert A. Millikan at the recent annual meeting of the National Academy of Sciences. He finds the evidence to be in favor of the photon interpretation of these rays, adding that the suggestion that the rays may be interpreted as neutrons does not appear to conform with the newly established facts. The energy of the cosmic rays was measured by watching the pathway they cause in a cloud chamber.

The results which have been checked are those reported on Nov. 20, 1931, at the Institut Poincaré, Paris, by Carl D. Anderson, who worked with an apparatus capable of measuring, by the method of magnetic deflectibility in air, energies of the order of magnitude to be expected in cosmic-ray photon-encounters with electrons and nuclei—namely, from  $27 \times 10^6$  volts up to at least  $500 \times 10^6$  volts.

Assuming, as Dr. Millikan does, that the tracks are due in all cases

either to protons or to electrons, nine-tenths of all the observed encounters yield energies which lie within the ranges computed from the Einstein equation and the atom-building hypothesis. Further study of certain sudden changes in direction is needed before final conclusions can be drawn, but Dr. Millikan asserts that the photon hypothesis has greater flexibility in accounting for the observed high-energy protons and electrons than has the neutron hypothesis, the latter of which looks now impotent in view of the fact that no neutron of any energy whatever less than 199 volts can impart to a free electron as much as 3,000,000 volts of energy, whereas the newly observed energies in what look like Compton encounters are nearly all from 7,000,000 to 20,000,000 volts. Only the photon hypothesis seems to fit these facts.

The importance of this hypothesis lies in the fact that it supports the theory that the universe will continue indefinitely and is not "running down," as some scientists have suggested.

# Current History in Cartoons



DE VALERA PRACTISES THE SPLITS

—Punch, London



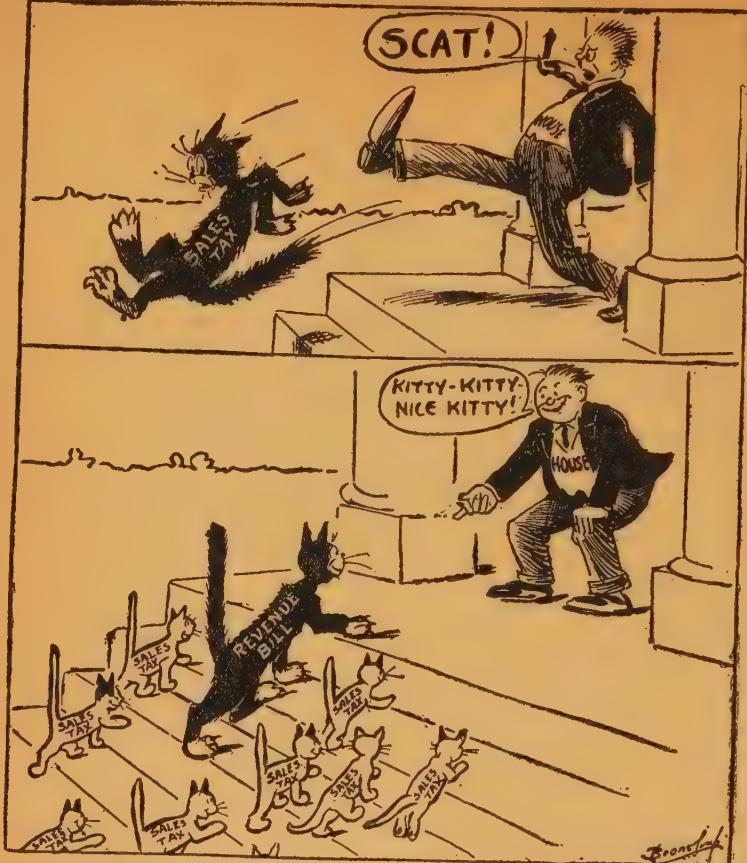
THE REALIST

—Boston Herald



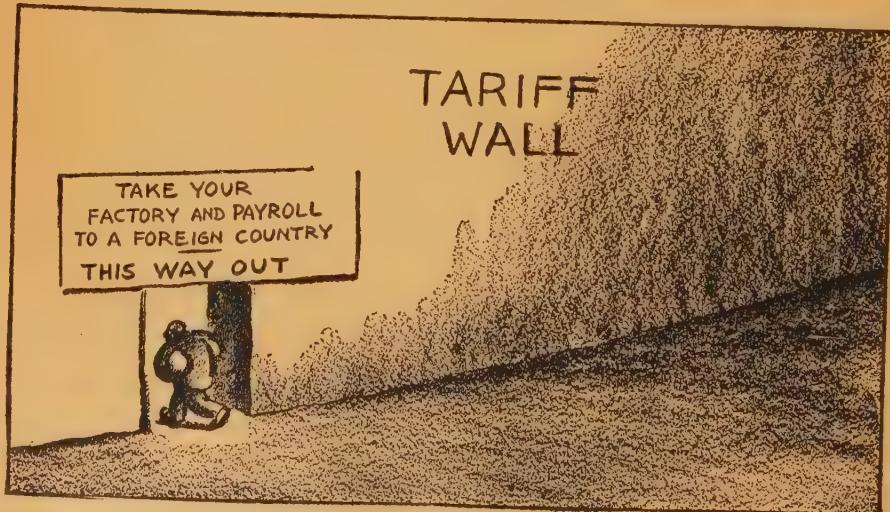
THE BRUENING CIRCUS

—De Groene Amsterdamer, Amsterdam



WHAT'S  
IN A  
NAME?

—San  
Francisco  
Chronicle

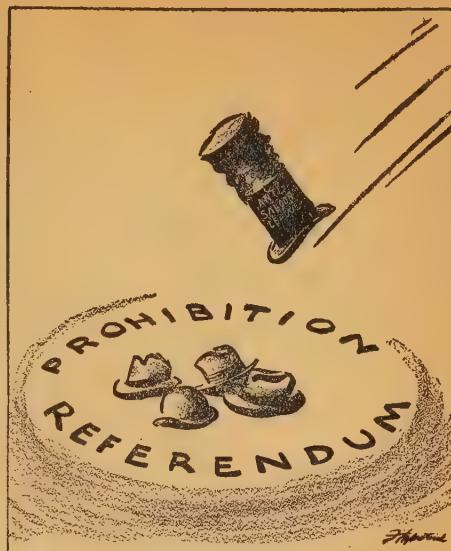


OUR GREAT EXPORT BUSINESS

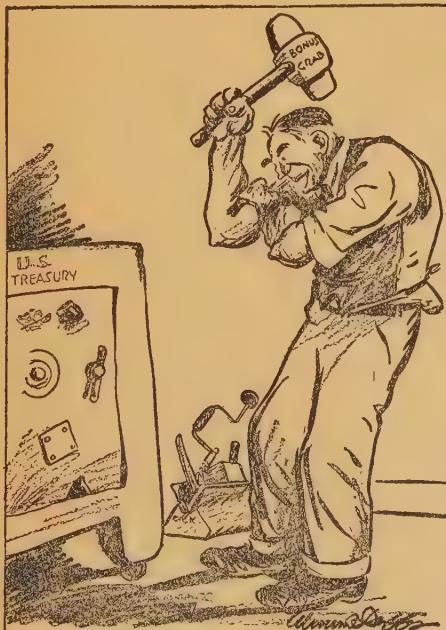
—St. Louis Post-Dispatch



PULL THE CORD!  
—Cleveland Press



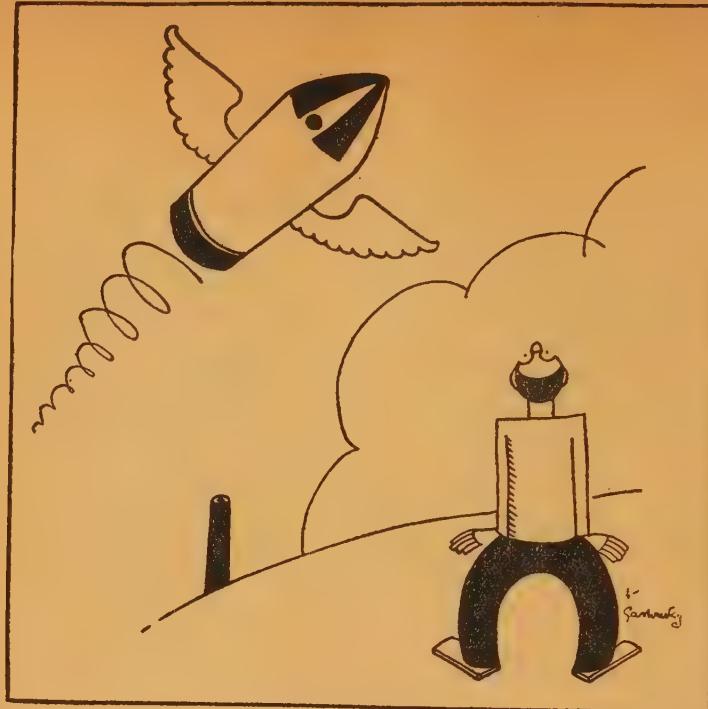
ANOTHER HAT IN THE RING  
—St. Louis Post-Dispatch



THE "DOUGH" BOY  
—Baltimore Sun

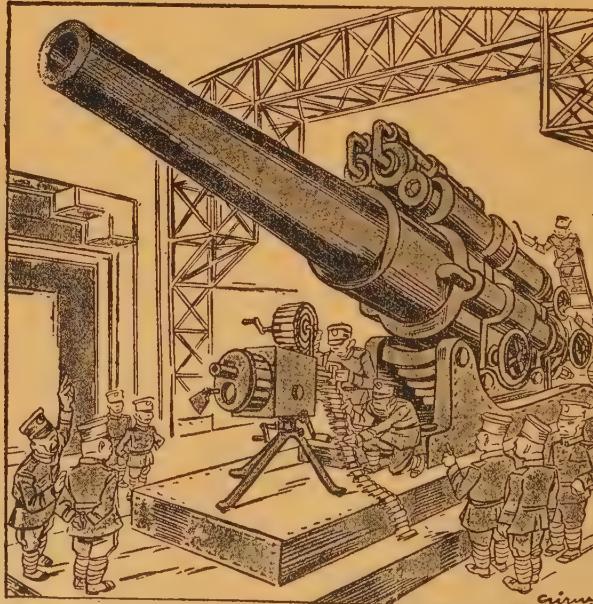


THIS RAPID AGE  
—Dallas News



THE PEACE DOVE

—Campana de Gracia, Barcelona



JAPANESE CINEMA NOVELTY  
(Loud-speakers are being installed with all projectors)

—Guerin Meschino, Milan

# A Month's World History

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## The Deadlock at Geneva

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By JAMES THAYER GEROULD

*Princeton University; Current History Associate*

THE deadlock at the Disarmament Conference is still unbroken. Neither France and her allies, nor the nations which follow the lead of Great Britain and the United States, are willing to give way. This impasse is but a single phase of the complex interplay of antagonistic forces which, unless it is somehow resolved, will endanger all democratic society. Nationalism, in its various manifestations, is as insensate as was the war which caused its present resurgence, and as destructive as were the guns in Flanders.

Thinking men the world over are not very far apart as to the causes of our present distress, and their views as to what they are have been set down again and again in the resolutions and reports of international congresses. If reason and the spirit of compromise played any considerable rôle in human affairs, a program of readjustment would, long before this, have been discovered and accepted. Instead of that, we have had to wait until the Labor party was driven from power in Great Britain, until Hindenburg was elected, until the results of the Prussian elections were known, until it was determined whether Tardieu or Herriot was to

represent France. Now we must not expect concrete results until after the November elections in the United States, or possibly until after a new administration assumes office next March.

The Disarmament Conference itself seems almost to have lost hope of accomplishment, and, in excuse for its powerlessness, makes vague promises for the future. The resolution passed on April 18 reads: "In view of the opinions expressed during the discussion at the conference, the general commission believes that it should be realized by progressive revisions following one another at appropriate intervals after the present conference shall have taken the first decisive step in general reduction to the lowest possible level." Unless public opinion the world over is roused from its torpidity and in every country, including our own, demands of its political leaders a degree of conciliation that thus far has not been shown, no results that will mitigate our present danger are to be expected.

Secretary Stimson has been freely criticized on the ground that his visit to Geneva was ill-timed, that he should have waited until after the French elections. Possibly—but the

party conventions at home are just ahead, and any concessions that he might have made would have been the target for those who prefer partisan advantage to national welfare. It is too soon to say that his contacts with the European delegates at the conference will be without result. His visit was, at the least, a gesture of friendliness. His call of courtesy on Sir Eric Drummond, the Secretary General of the League, the first of the sort ever made by a Cabinet officer of the United States, was one of those events, insignificant in themselves, which are so important in diplomacy, particularly when delicate negotiations, such as are now going on in the Far East and in Geneva, are in progress.

Mr. Stimson arrived in Paris on April 15 and spent the day in conferences with M. Tardieu, M. Laval and M. Berthelot. The next morning he was in Geneva, and for two weeks he was in frequent contact with the heads of the European delegations. While it was officially stated that his conversations with them were related solely to questions of disarmament and possibly to the Far Eastern situation, assertions of this sort are to be taken in a Pickwickian sense. He can hardly have avoided all reference to the insistent questions of war debts and reparations. Decisions of the highest importance have often emerged from conferences primarily on entirely different subjects.

On April 21, at a dinner given by Sir Eric Drummond, Secretary Stimson conferred with Premier Tardieu, Prime Minister MacDonald and Chancellor Bruening, and the day before he had a talk with Dino Grandi, the Italian Foreign Minister. A second meeting of these high officials was arranged for April 29, but illness prevented M. Tardieu from leaving Paris. While there is no doubt that his excuse was genuine, rather than diplomatic, it is equally certain that his absence gave great satisfaction to the Paris press, and possibly to M. Tar-

dieu himself. In the face of the elections, which were only two days ahead of him, his prestige would have suffered seriously should he have receded in any manner whatever from the French demand for security and an international army to defend it. "More than ever are we convinced," said the *Journal des Débats* at this time, "that the maintenance of real peace is linked to the existence of a France strong enough to discourage the forces of destruction; and the day she delivers herself helpless to their desires Europe will enter on an era of catastrophes."

Despite the absence of M. Tardieu, a conference of the chief delegates of the American, British, French, German and Italian Governments was held at Secretary Stimson's temporary residence on the date planned. The resulting communiqué announced that it was agreed that the conference should be resumed in about a fortnight, a message not particularly illuminating but perhaps masking something of promise. Since nothing further could be done at the moment, Secretary Stimson left Geneva to return to America.

Although the centre of the stage was, naturally enough, held by the American Secretary of State, the disarmament conference itself was not entirely inactive. In view of what happened a little later, considerable importance attached to the memorandum filed by the Italian Government on April 8, in which it advocated the abolition of all battleships, heavy artillery, tanks, submarines, aircraft carriers, bombing planes, and chemical and bacteriological warfare. Civil aviation, it asserted, should be governmentally controlled.

The conference reassembled, after its Easter holiday, on April 11. At the opening session, Mr. Gibson, in a vigorous speech, proposed that a beginning should be made by the elimination of weapons which could have no other than an offensive purpose. He

dwelt first on the question of security, admitting that "apprehension as to national safety is not to be dealt with by pure logic, or peace established by argument alone." Its illogical character is demonstrated by the fact that "some of the nations which maintain the highest level of armaments, adequate presumably to deal with any possible aggression, are among those most fearful for their national safety." Fear can best be removed by the abolition of the instruments of aggression. Even the strongest frontier fortifications are not impregnable to modern weapons. If tanks, heavy mobile guns and gas warfare could be eliminated, there would be a far greater measure of security, as it would restore the supremacy of purely defensive weapons.

He answered the objection that treaty engagements of this sort would not be observed in time for war by the argument that the time necessary to produce them would eliminate the danger of a surprise attack, that violations of agreements of this character are always "of the most costly character to the wrongdoer," and that world opinion is building up an increasingly strong sanction in support of such engagements. The risk is small as compared with that of the present. To the objection that such weapons as he was proposing to discard were only a few among many, he replied that it is only by dealing with them in detail that there can be hope of definite progress.

Mr. Gibson's proposal was immediately supported in enthusiastic speeches by President Motta of Switzerland and by Sir John Simon, but its effect was weakened by the tactics of Count Nadolny, the German delegate, who, while he agreed with its substance, criticized the proposal on the ground that it did not satisfy the German demand for equality. This permitted M. Tardieu to re-emphasize the French thesis. The suppression of these weapons would be ineffective,

he claimed, without some system of control and of penalties. All arms are interdependent—those of the air, of the sea and of the land—and they cannot be restricted in detail. On the following day he returned to the attack in a brilliant speech in which he denied the validity of Mr. Gibson's claim that a country with peaceful intentions did not need offensive weapons. If attacked it must be able not only to repel but to counter-attack, as otherwise the advantage would lie with the aggressor. Any attempt to deal with disarmament by lopping off this or that weapon will be futile and disingenuous. The only possible means for the suppression of offensive arms is to place them at the disposal of an international power.

The debate on the following days was very vigorous. Yugoslavia and Poland, as was to be expected, lined up with France. Dino Grandi of Italy, while supporting Mr. Gibson's desire for the suppression of offensive weapons, believed that the scope of the proposals should be enlarged to include capital ships, submarines, aircraft carriers, military dirigibles and bombing planes, and that an agreement should be made never to manufacture them again. As to the possibility of bad faith in the observance of such an agreement, "if we start by doubting every one's good faith, we might as well abandon any attempt to reach a result."

A definite forward step was made by the unanimous adoption on April 22 of two resolutions, the acceptance of which involved a modification of the French thesis. The first, modified somewhat from the original British draft, read as follows: "Without prejudice to the other proposals which fall to be discussed under later heads of the agenda, the conference declares its approval of the principle of qualitative disarmament, that is, the selection of certain classes or descriptions of weapons, the possession or use of which should be absolutely prohibited

to all States, or internationalized by international convention."

This resolution was supplemented later in the day by another, also unanimously adopted: "In seeking to apply the principle of qualitative disarmament, as defined in the previous resolution, the conference is of opinion that the range of land, sea and air armaments should be examined by the competent special commissions, with a view of selecting those weapons whose character is the most specifically offensive, or those most efficacious against national defense, or those most threatening to civilians." In order to afford opportunity for the discussion of these points by the technical commissions, the general commission recessed for two weeks. This was necessary on other grounds, as the French were unwilling to advance any further concrete proposals or accept any agreements until after the elections.

The task of these technical commissions is by no means a simple one. No nation likes to admit the offensive character of a weapon which adds to its military or naval power. France, as Dino Grandi pointed out in one of his speeches, demanded and secured the suppression of certain weapons by Germany on the ground that they were solely offensive in character. She now is unwilling to be deprived of these same weapons, alleging that they are needed for defense. The rest of the world, apart from Great Britain, Japan and the United States, is not only willing but anxious to eliminate the battleship. Germany is prepared to scrap even the "pocket battleships" of which she is so proud, if the result can be obtained. To the ordinary mind it is hard to conceive of a weapon of more offensive purpose, though it must be admitted that the rôle of the battleship in the World War did not amount to much.

Senator Swanson, however, speaking with the voice of our naval strategists, before the naval commission,

declared that the United States is "unequivocally opposed" to the classification of battleships as offensive weapons. He argued, as is doubtless the case, that they are useless as commerce destroyers, that they are ineffective against shore defenses—as was amply demonstrated at Gallipoli—but that they are more efficient and less expensive than shore fortifications. It is pleasant to think that they are of some use; certainly they cost enough.

Alongside the technical commissions—naval, military and budgetary—is sitting a committee which seeks to find a method of moral disarmament. It is discussing the possibility of textbooks that are less chauvinistic than at present, the abolition of training of a military character for the very young, the exchange of teachers and students, the organization of international student camps and the suppression of inflammatory propaganda. The Admirals and the Generals smile at this and consider the committee merely as a place in which the women members of the conference and men whom they consider soft-headed may be kept busy—but it is just possible that they are wrong. No one who has ever watched the training that is now being given to young children in Italy, or knows something of the detail of Soviet military propaganda among the young (see the article, "The Soviets Prepare for War," on pages 270-275 of this magazine), or the ideas that, despite fervid claims to the contrary, are being inculcated by our own R. O. T. C., can doubt what the military man actually thinks of the effectiveness of the training of the young.

#### THE CONFERENCE AT LAUSANNE

The major European nations will meet at Lausanne on June 16 to make an effort to secure another "final" disposition of the question of reparations. (See the article by Benjamin H. Williams on pages 291-297 of this

magazine.) Great Britain is quite ready for their total abolition, even though there is no adjustment of the American debt payments. Only in this way, she believes, can economic conditions be stabilized. Italy takes the same view. France holds that the principle of reparations must be maintained, since to abrogate it would cast doubt on the validity of the Versailles treaty. Could she secure assurance that her war debt to the United States would be canceled or largely reduced, she probably would be willing to reduce the reparation payments to a mere shadow. Such an assurance, however, there is not the slightest possibility that she will obtain, and she is cynical about the vague hints of an adjustment, consequent upon a settlement of reparations, that have been made by a number of our officials. Germany, on the other hand, is firmly resolved that the last mark had been

paid on the reparation account, and the acquiescence of any government in an admission that more might be paid would be the signal for its immediate overthrow.

Under such conditions the task of the conference seems almost impossible. The thing to be feared is postponement. To quote from Lloyd George's latest book: "At this juncture, playing for time is not playing for safety but fooling with the accelerator whilst the car is rushing down hill." Unless a way out can be found and some relief is given to Germany, the complete disruption of her economic and political structure will be difficult to avoid. Should Germany fall to pieces, the rest of Europe, and in turn the United States, will be shaken to its foundations, and in another year we may look back to 1932 as one of comparative calm and prosperity.

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## The Politics of America's Recovery

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By E. FRANCIS BROWN

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POLITICS, in one form or another, dominated the life of America during April. Upon the action of Congress, citizens have been led to believe, depends the country's economic recovery. So, while House and Senate have wrestled or fumbled with tax and appropriations bills the public has looked on, hoping against hope that the outcome would be favorable for national financial stability. Many hearts, also, must have wished that Congress might bring its labors to a speedy close before harmful legislation embodying extravagant or inflationary measures could be enacted. But, at the back of the mind of each member of the Seventy-second Congress is the constant thought of the Presidential campaign which is about

to open, a campaign in which voters may not be greatly interested, but which, nevertheless, warps the decisions of members of Congress and thus, in the long run, has a definite effect upon the destinies of the voters themselves.

The balancing of the Federal budget seemed as distant at the end of April as it had a month before, since the House revenue bill, which was transmitted to the Senate at the beginning of the month, was still in the hands of the Senate Finance Committee. As a result of a special plea by President Hoover that the measure be passed quickly, hearings on the bill before the Senate Finance Committee were limited so as to close on April 21. During the hearings representa-

tives of interests likely to be injured by the proposed taxation protested against many items in the bill, especially excise taxes which resembled a sales tax on selected commodities.

On April 18, after demands from the Senate Finance Committee that the Secretary of the Treasury make definite substitute proposals for the inequities complained of by the administration in the House bill, Mr. Mills submitted a revised revenue program. His plan was substantially that submitted by Secretary Mellon in December (See January CURRENT HISTORY, page 576) except for a 42 per cent maximum surtax rate, elimination of corporation exemptions and the adoption of excise taxes on "home brew" ingredients. But as far as an outsider could see, the members of the Senate committee, in spite of their insistence that Secretary Mills submit proposals for raising revenue, paid little attention to the recommendations made in answer to their request.

The most troublesome provisions in the bill as it came from the House were import taxes—tariffs—on copper, oil and coal. For the Democrats in particular these items contained political dynamite. After accepting the principle of import taxes, the Senate Finance Committee on April 28 reversed itself and struck all tariff items from the bill, but on May 4 duties on lumber, coal, oil and copper were again voted into the bill. The committee previously had voted to increase income taxes from the rates previously adopted by the House and to raise the surtax maximum to 45 per cent on incomes above \$1,000,000. On May 3 the House provision of a tax of one-fourth of 1 per cent on stock transfers was eliminated from the pending bill. In spite of promises to report the bill quickly to the floor of the Senate it remained in committee until May 9 when the revised bill was finally brought before the Senate.

As Congress has worked upon the present tax bill it has been borne

home to the nation that our entire system of taxation needs overhauling if it is not to become unbearable. President Hoover, addressing the conference of Governors at Richmond, Va., on April 27, brought the problem of taxation before the executives of the States. He stressed the need for finding new sources of revenue, for reduction of expenditures and for coordination of government efforts in order to prevent overlapping of functions and resulting duplication of taxation.

The need for reducing government expenses if the budget is to be balanced has been apparent since the convening of Congress. Yet the obvious necessity has made it no easier to determine how best to achieve the needed economies. President Hoover has continually demanded that the expenses of the government be reduced, and since its appointment on Feb. 19 the Economy Committee of the House has been trying to discover ways of slashing governmental expenditures. But the difficulty is great, since men in politics, especially with a campaign approaching, are not anxious to approve measures that may deprive any of their constituents of the bounty which they have been accustomed to receive from an indulgent government. Moreover, the pressure upon Congressmen is very real because of powerful lobbies constantly on hand to protect "vital interests." There is, besides, the fact that to some extent any reduction of governmental expenditure will further injure the crippled purchasing power of the nation, a fact unceasingly brought home to all responsible for Federal economies.

The chief hope for retrenchment has been the enactment of an omnibus economy bill which would embody reduction in appropriations, consolidations of governmental agencies and curtailment of services. After conferences between President Hoover and the Economy Committee, sharp differences of opinion within the committee itself, and a good deal of uncer-

tainty among the Representatives as to what economies would be easiest and best, the omnibus bill of the Economy Committee was reported to the House on April 25. The bill as introduced was expected to effect government savings of more than \$263,000,000. All salaries over \$1,000 were to be reduced 11 per cent, a change which it was estimated would save \$67,000,000. Savings proposed in the Veterans' Bureau, it was hoped, would reach \$59,627,000. The most radical proposal was the long-talked-of consolidation of the War and Navy Departments into a Department of National Defense, a plan which had been opposed by President Hoover but which was expected to save, according to some estimates, \$100,000,000. Although the bill contained many other items it omitted most of the suggestions made by President Hoover.

The House leaders had hoped to attach the omnibus bill as a rider to the legislative appropriations bill and to pass the bill under special rules which would make possible limitation of amendment and of debate. But their plans were rudely shattered when on April 27 a coalition of Republicans and Democrats, although accepting the principle of a rider, succeeded in throwing the bill open to amendments. House leaders and members of the Economy Committee then foresaw the destruction of the bill which had been drawn up after so many weeks of hard work. On the first day that the bill was before the House the exemption level for salary cuts was raised from \$1,000 to \$2,500, reducing the estimated savings by \$55,000,000. The next day, April 28, a plan for eliminating half-holidays for government employes was omitted from the bill and \$9,000,000 more of possible savings went by the board. On April 30 the House, by a vote of 153 to 135, almost completed its wrecking of the omnibus bill when it struck out the proposal for consolidating the War and Navy Departments. Finally, on

May 3, the disorganized House rejected the proposals affecting the Veterans' Bureau and passed the fragments of the bill by a vote of 250 to 146. Total savings, it was estimated, would not be more than \$30,000,000. Now the Senate was faced with the necessity of finding the way toward government economy.

Meanwhile both the House and the Senate have made reductions in special appropriation bills. In the Senate the allotment for prohibition enforcement was reduced to \$10,250,000—a sum less by over \$1,000,000 than that appropriated by the House. The Senate Appropriations Committee has voted also to cut \$87,000,000 from the Postoffice and Treasury bill passed by the House and will, it is believed, reduce the appropriation for the Department of Agriculture by a flat 10 per cent. In the House the annual appropriations bill for the Navy Department was reported on April 19, with a recommendation that was \$14,336,984 less than the budget estimate. What these bills will be like in final form it is not easy to see, but when the smoke of battle has cleared away it may be discovered that substantial economies have been effected.

While the House and Senate have been attempting to find some way of reducing government expenses, the lobby of the World War veterans has been active in stimulating action that would result in the immediate payment of the adjusted compensation certificates. (See May CURRENT HISTORY, page 208.) This proposal, with its corollary that payment shall be made through the issue of \$2,000,000,000 in currency, has aroused widespread opposition and focused attention on the financial burden which privileges already granted to veterans have placed upon the government. Charles G. Dawes appeared before the House Ways and Means Committee on April 21 and declared that enactment of the proposed bonus legislation "would be an invitation to start on

the primrose path Germany followed until the complete breakdown of the mark." Similar criticisms have been made by financiers and economists throughout the nation. Finally, on May 6, the bill was reported unfavorably by the Ways and Means Committee and seemed to be doomed.

But other veterans' bills were under consideration. The House on May 2 passed the World War widows and orphans bill, which would provide allowances for the widows and children of deceased World War veterans. The bill, if made law, will, it is estimated, cost the government \$100,000,000 within the next five years. President Hoover on April 27 vetoed an omnibus pension bill which provided pensions for soldiers and sailors, or their widows, of wars other than the Civil War.

Expenditures for the war veterans, it may be well to recall, now amount to a quarter of our national budget and the proportion is steadily increasing. In the past ten years special grants which may be lumped under the term of war pensions have increased 50 per cent in the United States. As one of our outstanding publicists has said, "the mounting burden of expenditures to a special class of voters is a menace not only to the budget but to popular government itself."

Presumably some of the interests behind the movement for payment of the bonus are interested, not in the veterans, but in inflating the currency. That among certain groups there is a growing sentiment for inflation cannot be denied, although the movement is not entirely in the open. One evidence of the attempt to inflate the currency is the passage by the House on May 2 of the Goldsborough bill, which directs the Federal Reserve System to employ its power to maintain the purchasing power of the dollar at the level of the years from 1921 to 1929 by the control of the volume of credit and currency. American critics were not agreed whether the bill

opened the way to inflation or not, but its passage by the House caused a fall of dollar exchange in European markets. The defeat of the bill in the Senate is freely predicted, but even so one can be sure that the inflationists have not had their final say.

With all these complications in the way of balancing the budget, the deficit is rising steadily. On April 21 it had reached \$2,213,948,164 and, according to Secretary Mills, would approximate \$3,000,000,000 at the end of the fiscal year. Returns from taxation are falling steadily—a fact to be borne in mind when the pending tax bill is considered, since the estimated returns from the proposed legislation are predicated upon no further decline in national wealth or economic activity. Moreover, present estimates for balancing the budget include annual payments due the United States on war debts, an item which is none too sure. When all the elements involved are brought together it seems apparent that in reality the Federal budget will not be balanced, and cannot be, until America reaches some kind of economic stability.

#### *INVESTIGATION OF STOCK MARKET*

The long-expected Senate investigation of the New York Stock Exchange began on April 11, when Richard Whitney, president of the Exchange, was summoned to appear before the Senate Banking and Currency Committee to testify concerning bear raids in the stock market. Mr. Whitney maintained that short interests had had no influence upon the steady fall in security prices which has been so painfully apparent in the past year. Asserting that short selling was essential to the operation of the stock market, he declared that liquidation of securities by their owners, rather than selling by the shorts, was responsible for the depression of stock prices. During the following weeks prominent stock operators and brokers appeared before the committee, but,

the market being what it is, their testimony disclosed no very heinous practices and gave little information except that, by and large, a good deal of money had been lost in stock market operations since 1929—and that was hardly news. Moreover, testimony before the committee tended to place responsibility for the steady decline in security prices upon the bull operators of 1928-1929 rather than upon the bears, whom public opinion of late has assailed. Although so far the investigation of stock market operations has been devoid of sensation and has been somewhat disappointing, the Senate Banking and Currency Committee is continuing its study and examination of the old-time bogey, Wall Street.

#### THE FIGHT AGAINST PROHIBITION

The opening of the political campaign and the shrinking of government revenues have aided to heighten the agitation against the Eighteenth Amendment. Sentiment for action in regard to prohibition is growing in all quarters. Straw votes, notably the recent poll taken by the *Literary Digest*, indicate that the overwhelming majority of the country favors repeal of the prohibition amendment. Moreover, national leaders in both political parties have expressed themselves in favor of a national referendum upon the question. Even Bishop Cannon, an outstanding dry, has spoken in favor of ascertaining the sentiment of the country. Undoubtedly this agitation will find further expression in the party platforms during the Presidential campaign. In the meantime, plans have been under way for a nationwide demonstration in favor of beer, ostensibly because of its potential value as a source for revenue. The original plan, as proposed by Mayor Walker of New York City, called for parades and demonstrations on May 14 in all the large cities of the country. In the midst of the rising senti-

ment against prohibition, Congress has still managed to avoid a general expression upon the issue, although it would seem that the time had passed for representatives at Washington to fear the political influence of the drys.

#### POLITICAL ACTIVITY

As the time for the assembling of the party conventions draws near political activity gathers momentum. (See "The Presidential Campaign Opens" and "Why This Political Apathy?" on pages 257 and 265 of this magazine.) From now until November the going and coming of politicians will be carefully recorded in the nation's press; already speakers for both parties are filling the air with resounding "ballyhoo."

To some extent the Republicans are less active than the Democrats. The G. O. P. is certain to renominate President Hoover, since a majority of the delegates to the party's convention have been instructed for him, and the only question now is the probable candidate for the Vice Presidency. Undoubtedly the party leaders would prefer not to select Vice President Curtis, but as he shows no inclination to withdraw from the contest, and as his following is politically important, a way out of the dilemma is hard to find.

The Democratic camp has been more lively. Although Governor Roosevelt of New York has continued to collect delegates pledged to his nomination, he has met with considerable opposition during the past month. The contest within the party between Governor Roosevelt and Alfred E. Smith came into the open after a radio address by Governor Roosevelt on April 7 in which he charged the Hoover Administration with neglect of the "little fellow"—the average American citizen. Nearly a week later, at the Jefferson Day dinner in Washington on April 13, Mr. Smith, in a speech before the leaders of the Democratic party—although Governor Roosevelt

was absent—attacked the New York Governor, declaring that he “would take his coat off” and fight any candidate for the Presidency who “persists in a demagogic appeal to the working classes.”

The first real test between Governor Roosevelt and Mr. Smith came in the Massachusetts primaries on April 26, when the State’s thirty-six delegates were pledged to the nomination of Mr. Smith. Governor Roosevelt, it had been confidently expected, would win some delegates, but he failed completely to secure any. Primaries in Pennsylvania on the same day were less conclusive and even on May 9, the number of delegates pledged to Roosevelt or Smith was undetermined. An even greater rebuff to the Roosevelt cause was the defeat of the Governor by Speaker Garner in the California primaries on May 3. Meanwhile, several favorite sons had received support from their own States. On May 4 the delegates chosen to the convention were instructed as follows:

Roosevelt (New York).....	275
Garner (Texas).....	90
Lewis (Illinois).....	58
Smith (New York).....	46
Reed (Missouri).....	36
Murray (Oklahoma).....	23
Ritchie (Maryland).....	16
Uninstructed .....	144

Although Governor Roosevelt leads all other contestants for the nomination, it should be noted that he is still far from the required two-thirds majority. By the time the convention assembles it is conceivable that Mr. Smith’s strength will be so great that with the votes for Speaker Garner and the favorite sons, he can prevent Governor Roosevelt’s nomination and then bring about the choice of a “dark horse”—for example, Newton D. Baker or Owen D. Young.

#### THE NATION’S BUSINESS

It is an American tradition that business is invariably poor in a Presidential year, but that “conditions improve after the election.” Although

this belief is historically inaccurate, there may have been in the past enough uncertainty in men’s minds as to what the economic effect of an election might be to curtail business activity somewhat. But that the continued failure of American economic life to rise from its present slough can be attributed to the forthcoming campaign seems absurd on the face of things. What is perhaps nearer the truth is that business leaders throughout the country are afraid of possible legislation by Congress which would be, or might be, harmful to the ordinary processes of commerce. Even these fears, however, play a less important part in any economic recovery than the complexities and uncertainties of international affairs and the real and profound feeling of depression which afflicts producers and consumers in the United States.

The plain fact is that business shows few signs of improvement. Any detached examination of the facts contradicts optimistic statements issued by holders of public office or by trade associations in conventions assembled. A slight gain in a particular industry is apt to be more than offset by further declines in other fields of activity. The trend of stock quotations has been steadily lower until leading securities are selling at but a fraction of what a year ago seemed bargain prices. At the same time corporations have passed dividends, indicating the falling off of their earnings. The United Steel Corporation, for example, at the end of April omitted its quarterly dividend for the first time since 1915, and at present the steel industry is operating at about 24 per cent of capacity.

Some consolation and optimism can be found in the steady decline in the number of bank failures, which in March totaled only forty-five, the smallest for that month since 1925. To a large extent this improvement is the result of the aid extended by the Reconstruction Finance Corporation.

With the virtual cessation of bank failures the hoarding of currency has diminished considerably; by the end of April the amount of currency in circulation had fallen about \$250,000,000 since early February. As a result the administration's anti-hoarding campaign was considered by its leaders to have been a success, although only about \$30,000,000 of the much-heralded "baby bonds" were sold and the actual decline of currency in circulation would not seem to be very great.

Apparently the Interstate Commerce Commission has yielded to the influences which are seeking its approval of loans to the railroads by the Reconstruction Finance Corporation for the repayment of bank loans. In spite of the protests which followed the approval of such a loan to the Missouri Pacific late in March, a request by the Boston & Maine Railroad for \$10,000,000, over half of which was to be used to pay off bank loans, aroused little comment. As one press dispatch declared, "there is evidence of a new spirit of cooperation between the Reconstruction Finance Corporation and the Interstate Commerce Commission."

The chief development of the month in the banking world, and the one which has been hailed as most likely to have beneficial effects on business, is the action of the Federal Reserve Banks to expand credit through the purchase of government securities. Acting under the authority of the Glass-Steagall law (see April CURRENT HISTORY, pages 83-84), the Federal Reserve governors, it was announced on April 13, had agreed to increase greatly the purchase of government securities in an attempt to check credit contraction and liquidation. The announcement of the agreement came after a week in which the average volume of Federal Reserve credit outstanding had increased \$29,000,000. By April 27 the Federal Reserve's holdings of government securities had risen \$306,000,000 in three weeks.

Purchase of government securities on such a large scale is unprecedented in American financial history. Obviously, this buying in the open market, although the Federal Reserve has tended to purchase short-term paper only, has raised the prices of all government issues. At the same time the amount of cash held by the nation's banks has increased, because when banks or individuals sell their government securities they receive in return cash which, in theory, can be used for the purchase of other securities or which, in the case of an individual, may be deposited at a bank and used by that institution as the basis for extension of credit. If business takes advantage of this credit, there should follow an expansion of economic activity and eventually the return of better times. Furthermore, if individuals purchase commercial stocks or bonds with the money which they have received from the sale of government securities, the price of these stocks and bonds, over a time at least, will rise. Unhappily, the benefits expected from the action of the Federal Reserve are, so far, not observable; apparently individuals have either left their money on deposit in banks or have purchased long-term government obligations, while the banks have allowed cash to pile up in their vaults or have paid off indebtedness to the Federal Reserve System. Whether this situation will change in the future or whether some more radical financial policy must be adopted in the United States the lay observer cannot be expected to foresee.

The story of agriculture continues to be one of the sorriest chapters in any account of contemporary American life. Weather conditions have been so unfavorable that estimates fix the Winter wheat crop at about 450,000,000 bushels, compared with 787,000,000 last year. Nevertheless, the price of wheat is still low, fluctuating between .54 and .65 cents a bushel. The price of corn and oats is the lowest in about thirty-four years. Live stock

also sells in the nation's great markets at ruinous prices. In the South, where cotton for July delivery is selling at the lowest figure since 1898, there is some indication that farmers are shifting from cotton to food and feed crops. Conditions in the great farming areas grow more and more acute as the farmers, burdened with debts and mortgages that were made in more prosperous times, struggle to meet interest—perhaps payments on rare occasions—with an income which has shrunk to a fraction of what it was in the first years after the war.

#### THE UNEMPLOYMENT CRISIS

Unemployment continues to be the greatest social problem before the nation. Exactly how many people are out of work is still as difficult as ever to determine—8,000,000 is the approximate figure most generally cited at present. The discouraging fact is that employment shows no improvement; the Department of Labor reported a decrease of 1.5 per cent in the number of employed during March compared with February, while William Green, president of the American Federation of Labor, stated on April 26 that unemployment had increased during that month.

At the same time unemployment relief throughout the nation faced a crisis. The funds raised in the nationwide drive of last Fall are exhausted, or nearly so, and cannot easily be replenished. Municipalities, which have been bearing the chief burden of relief, have used up their appropriations and in many instances find it difficult to raise further funds to continue the support of the multitudes who are without work and without resources. In New York City, for instance, Frank J. Taylor, Commissioner of Public Welfare, declared on April 10 that \$20,000,000 was needed if thousands in the city were not to starve. His appeal, strengthened by the support of the heads of various welfare societies, brought about an

appropriation from the city of \$6,000,-000, which it was hoped would provide for the city's unemployed until Aug. 1. But New York City, where 828,000 individuals are receiving aid from public and private sources, is but one city in the nation, and these conditions can be duplicated up and down the land. Small wonder, then, that there is a continued demand for Federal aid to unemployment.

#### THE MASSIE TRIAL

The Massie case, which has dominated the news from Hawaii for several months, received new prominence during April, when the trial of Mrs. Granville Fortescue, her son-in-law, Lieutenant Thomas Massie, and two navy enlisted men, charged with the murder of Joseph Kahahawai, was held in Honolulu. After a trial lasting several weeks, in which Clarence Darrow represented the defendants, the jury found all four defendants guilty of manslaughter, but at the same time recommended leniency. On May 4 the defendants were sentenced to ten years at hard labor, but Governor Judd of Hawaii commuted the sentence to one hour in the custody of the High Sheriff. Although such a settlement of the case may be politic, it is difficult to see in it any victory for law and order or for justice.

Superficially, the case would not seem to be extraordinary, since in American life this kind of episode is all too frequent—the rape of a white woman and the killing by her family of her alleged assailant. But in this instance the defendants were socially prominent and with important naval connections. Moreover, the case has stimulated feeling between the naval representatives in Hawaii and the civil authorities. The fully reported details of the trial aroused the people throughout the United States to such an emotional pitch and to such pronounced disagreement with the jury's verdict that one wonders if Americans do not believe in lynch law more

ardently than in fundamental civil rights.

The Massie case has had repercussions also in Congress, where attacks have been made on Hawaiian administration of justice, and bills have been introduced to revise Hawaiian legal procedure. On the other hand, more sober counsel has pointed to the importance of the islands to the United States, their traditional social stability and the danger of belittling the dignity of their territorial status and virtual self-government.

#### THE MOONEY CASE

Governor Ralph of California on April 21 refused to grant a pardon to Thomas J. Mooney, who has spent years in prison after being convicted for throwing a bomb in the San Francisco Preparedness Day parade on July 22, 1916. The Mooney case, often called the American Dreyfus case, has long agitated the country. Four California Governors have refused to pardon Mooney, although serious doubts have been cast upon the evidence which brought about his conviction, and representatives of all shades of politi-

cal opinion have sought to secure his release from prison. This last rebuff brought from those agitating most actively for Mooney's pardon the statement that the "fight to free him has just begun."

#### THE PULITZER PRIZES

The Pulitzer awards for achievements in American literature and journalism were announced on May 3. The prize for the best novel published during the year was given to Pearl S. Buck's *The Good Earth*. The best play of the year was adjudged to be *Of Thee I Sing*, a musical play by George S. Kaufman, Morrie Ryskind and Ira Gershwin. General John J. Pershing's *My Experiences in the World War* received the prize for the best book dealing with the history of the United States, while Henry F. Pringle's *Theodore Roosevelt* was singled out as the best biography. George Dillon's *The Flowering Stone* was cited as the best volume of verse published during the year. The prize for the best newspaper correspondence of the year went to Walter Duranty of *The New York Times* for his articles on Russia.

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## Steps Toward Haitian Freedom

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By CHARLES W. HACKETT

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**I**N accord with its policy to reduce and ultimately to eliminate American supervision in Haiti, the United States Government in mid-April informed the Government of Haiti of its readiness to negotiate immediately for financial control in Haiti that will protect American bondholders after the expiration in 1936 of the 1915 treaty. This action was in reply to the note from the Haitian Foreign Minister, Mr. Leger, dated Dec. 22,

1931, which was interpreted as a move for the virtual scrapping of the 1915 treaty by establishing at once a fiscal agency to "protect" American bondholders, one presumably less rigid than the present agency.

The United States replied in a note on April 6 discussing the treaty of 1915, its extension until 1936 by the additional act of 1917 and the protocol of 1919 whereby it was agreed to negotiate an arrangement to protect

the bondholders after the expiration of the treaty. The answer of the United States also discussed the thirty-year loan of 1932. This authorized \$40,000,000, but only \$23,500,000 was issued, and of that sum there is now outstanding about \$14,00,000.

In brief [the note said] a situation is envisaged after the expiration of the treaty where there may be no official known as the General Receiver and that the officer who may act in his stead, in place of collecting, receiving and applying the revenues, as does the General Receiver under Article II, shall have control of the collection and allocation of the revenues.

In view of these apparent distinctions concerning the arrangement which now prevails and that which is contemplated after the expiration of the treaty, the Government of the United States is prepared to make a further agreement covering the exact situation which should then prevail in that respect.

Nevertheless, it is desired to point out that the protocol contemplates control by the officer nominated by the President of the United States of the collection and allocation of the revenues, and in the light of that provision and of the purpose of its insertion \* \* \* it is evident that the Government of the United States is entitled to insist upon such arrangements as in the reasonable view of the United States will assure the carrying out of that purpose.

It was pointed out by Minister Munro in presenting the note that the United States Government "does not desire to continue the existing régime longer than may be found necessary to fulfill adequately the obligation assumed by both governments toward third parties, and that it is prepared to examine in a friendly spirit any proposals for an equitable refunding operation which the Haitian Government may be in a position to submit to it."

#### CUBAN STUDENTS TRIED

Three Cuban students charged with illegal possession of explosives went on trial before a court-martial in Havana on April 11. That same day public attention was directed to the plight of the students by Chairman Borah of the Foreign Relations Com-

mittee, who read in the United States Senate a letter sent to him by the Cuban Patriotic League containing an account of the case. Senator Borah proposed no action, but expressed his intention not to lose sight of the matter. Three days later it was reported from Havana that approximately 150 students were in Cuban jails on similar charges and might face court-martial under a law passed in February which gave the army jurisdiction over violations of the explosives act. The three students whose trial began on April 11 were sentenced on April 26 to eight years in prison.

To assist Cuban authorities in eliminating undesirables and establishing absolute control over foreigners for purposes of public order, a Presidential decree was issued on April 19. It requires foreigners in Cuba to register with the Department of the Interior within sixty days. Only representatives of foreign governments and their staffs and transients remaining in Cuba less than sixty days are exempted from the requirements. In addition to registering, foreigners must submit photographs and personal descriptions as well as fingerprints.

Cuba's claims to complete jurisdiction over coastal waters within a twelve-mile limit were sustained in a decision handed down by the Audiencia Court of Havana early in April. The verdict was rendered in a suit brought by a Cuban shipping company against a British shipping company in the matter of a collision between their vessels on Oct. 15, 1930, which resulted in the sinking of the Cuban ship. The court based its decision on an article of the customs ordinances that were promulgated under the American Intervention Government in 1901. This article states that "for the purpose of securing the collection of legal duties the customs shall exercise necessary vigilance from the moment in which the vessel enters the jurisdictional waters of

Cuba \* \* \* and the jurisdictional waters of Cuba extend four leagues from the mainland or the keys of the same." The case has been appealed to the Cuban Supreme Court.

#### *NEW MEXICAN TRADE LAWS*

Recent legislation of a highly nationalistic character has jeopardized the moving-picture business in Mexico City. An official announcement on April 7 by Vicente Estrada Cajigal, member of the Cabinet and head of the Federal District, notified all moving-picture theatres in Mexico City that they were required to show each week one two-reel film manufactured in Mexico or else submit to a heavy fine. It was unofficially predicted that this measure would close many theatres, since it is impossible to comply with the law because of the scarcity of Mexican-made films. Somewhat similar was a decree of the Department of Finance issued on April 9, which modified the regulations governing the importation of parts and material for the construction of automobiles. This decree is designed to grant further protection to industrial plants in Mexico. By it only companies authorized by the Department of Finance to assemble and finish vehicles will be allowed henceforth to import the necessary materials.

Punitive action against bandits was so swift and severe in Mexico during April that it has been heralded in some quarters as an object lesson to the rest of the world in dealing with lawlessness. Sixteen men charged with having attacked a Laredo-Mexico City train were executed by a firing squad on April 2. Two days later twenty other alleged participants in the attack were reported to have been captured by General Vargas, military commander at Celaya, State of Guanajuato, who announced his intention "to put the lot to death" at the scene of the crime, which he described as "the most fitting place for their execution." An attack on Paso del Macho, State of Vera Cruz, was made

by about 200 gangsters on April 15, and four persons were killed and several wounded. In the week following, thirty-five persons paid with their lives for the raid, nineteen having faced firing squads and the others having been killed while resisting capture. The attack on Paso del Macho was attributed by Eulogio Ortiz, military commander of the State of Vera Cruz, to "unscrupulous political elements."

#### *NICARAGUAN HOSTILITIES*

Hostilities between Nicaraguan rebels and Nicaraguan National Guardsmen commanded by United States Marine officers have again been frequent and of a sanguinary character. Between April 4 and 24, ten skirmishes between the opposing forces were reported and four United States Marine Lieutenants and one Nicaraguan Guardsman were killed. In some of the engagements the rebels numbered from 150 to 200 men, and fought with rifles, machine guns and bombs. The fiercest encounters occurred on April 21 northeast of Ocotal, near the Honduras frontier, and here three United States Lieutenants lost their lives. These deaths impelled Senator Lewis of Illinois to demand in the United States Senate on April 23 that the marines be recalled immediately from Nicaragua. In addition to the casualties mentioned, one United States Marine Lieutenant was killed when fourteen men of the National Guard patrol which he commanded mutinied on April 4.

Present plans of the United States Government call for relinquishing complete control of the Nicaraguan National Guard on Jan. 2, 1933. A State Department announcement of April 6 revealed that at that time there were thirty-five Nicaraguan line officers in the National Guard. Fifty-nine cadets graduated on April 7, and a class of eighty is due to graduate in December. Then there will be approximately 175 Nicaraguan line officers, considered by the Nicaraguan Govern-

ment the minimum number for safety. In addition to these there will be six trained Nicaraguan medical officers, who will be assisted by contract civilian doctors. The Nicaraguan National Guard in April numbered about 2,200 enlisted men and United States forces in the country about 1,400 men.

#### *NEW COSTA RICAN PRESIDENT*

The contested Presidential election in Costa Rica, which brought about an

armed rebellion, led by Manuel Castro Quesada, in February and then a period of uncertainty as to proper legal procedure to be followed because Quesada, the second leading candidate, withdrew, was settled on May 1. The Costa Rican Congress on that day elected Ricardo Jiménez President by a vote of 24 to 10. Jiménez was the leading candidate in the regular election. (See *CURRENT HISTORY* for May, page 214).

## An Argentine Dictator's Record

*By HENRY GRATTAN DOYLE*

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GENERAL URIBURU, the former Provisional President of Argentina, died in Paris on April 29, following an operation. He had left Argentina on March 12, after being granted an army furlough of two years to seek rest and medical treatment in Europe.

José Francisco Uriburu was born in 1868 at Salta, capital of the province of that name in Northern Argentina, of a distinguished, aristocratic and wealthy family—one of the several hundred aristocratic families by which, it is sometimes said, Argentina has, with few exceptions, always been ruled. His father was an army General and his uncle, José Evaristo Uriburu, was a former President of Argentina, while among his cousins are José Evaristo Uriburu, former Ambassador to Great Britain, and Dr. Enrique Uriburu, former Minister of the Treasury. His education was purely military, first at the military school in Buenos Aires and later as a post-graduate student of military organization in Prussia. Subsequently he served as Argentine military attaché in Madrid, Berlin and London, and in 1912 he

headed a military mission to Germany. On his return he directed, as Inspector General, the reorganization of the Argentine Army along German lines.

During Irigoyen's first administration (1916-1922) General Uriburu was in the confidence of the President and was believed to have been instrumental in maintaining Argentine neutrality during the World War. When President de Alvear entered office in 1922, General Uriburu's assignment was shifted, and at the same time his intimacy with Irigoyen was broken. In 1928, when Irigoyen again became President, Uriburu resigned from the army. Undoubtedly he became involved at this time in opposition to the Irigoyen régime and the Personalist wing of the Radical party. In the Summer of 1930 his house was kept under police surveillance in anticipation of revolutionary activities, but he succeeded in escaping, concealed in a trunk, and at the outbreak of the revolution, on Sept. 6 of that year, placed himself at the head of the troops who marched on Buenos Aires and effected the comparatively bloodless coup

which overthrew the Irigoyen régime. Uriburu's Provisional Presidency was marked by resumption of normal diplomatic relations with the United States and by sincere efforts to solve Argentina's financial problems through the elimination of waste and graft, the practice of governmental economies, and the insistence upon meeting foreign obligations promptly and in full. The enthusiastic support given his government at the outset waned as months passed without definite assurance as to when elections would be held to re-establish constitutional government. The Provisional President's opposition to the Radical party led him to set aside the provincial elections held in the Province of Buenos Aires on April 5, 1931, in which the Radicals had a decisive majority, and to suspend the provisional elections scheduled to be held in Santa Fé, Córdoba and Corrientes Provinces. The deportation of Radical leaders and interference with freedom of the press caused alarm among moderate Argentines, who were anxious for resumption of normal political conditions. It was even feared that General Uriburu was preparing to set up a military dictatorship.

A series of constitutional reforms proposed by the Provisional President (see *CURRENT HISTORY* for August, 1931, pages 759-760) as essential to the transfer of power to an elected President did little to allay this feeling, because Uriburu's plans seemed to involve further delays in the resumption of normal political life. Finally, however, elections were held on Nov. 8, 1931, and General Augustin P. Justo was chosen President. His inauguration followed on Feb. 20, 1932. (See April *CURRENT HISTORY*, pages 96-97.)

Whether General Uriburu ever intended to make himself dictator is uncertain. If he did, he may have been deterred either by his realization of the growing opposition to his continuance in office or by the physical ail-

ment which ultimately took his life. Perhaps the fall of the Ibáñez dictatorship in Chile—seemingly one of the most firmly entrenched in South America—may have caused him to pause. Certainly there is little or no direct evidence that Uriburu had any such intention. His intense opposition to the Radical party and his stubborn determination that it should not be permitted to return to power could easily account for his reluctance to call elections and for the repressive and dictatorial measures adopted toward his political opponents. In the last analysis, his motives will be judged and his services to his country evaluated by the success or failure of the constitutional régime which he was so largely instrumental in establishing, and by its efficiency, fairness and justice in dealing with its own citizens and with other nations.

President Justo's inaugural message was read in person at the opening of the regular session of the Argentine Congress on May 2. (Congress had been sitting in special session since March 28.) The message, delivered before crowded floor and galleries, and broadcast throughout the nation, dealt particularly with financial matters. Strict economy without, however, "damaging the country's future," and fulfillment of governmental financial obligations promptly, were pledged. "Ample collaboration at Geneva" was also stressed, though the League of Nations was not mentioned by name. After referring to the maintenance of "constitutional normality," the President declared that he "would not tolerate any disorders."

The President's report on the financial condition of the nation stated that Argentina's long-term public debt at the end of 1931 amounted to \$618,000,000, of which the foreign debt was \$256,000,000 and the internal debt \$362,000,000. The nation also had a floating debt on Feb. 28, 1932, of \$316,000,000. The President said internal taxes, which were decreed in

the closing days of the late *de facto* government and which had yielded \$53,200,000 in two months, must be maintained, although he promised a reduction as soon as possible.

The consideration of new tax laws, including proposed taxes on incomes, inheritance taxes and a sales tax, is under way in the Argentine Congress. The Chamber of Deputies already has passed some of the proposals. Drastic economies in the various public services are also proposed by the government, including plans to release 3,000 conscripts in June upon completion of only half of their term of military service.

The Chamber of Deputies on April 27 voted approval of the \$125,000,000 "patriotic loan" proposed by Finance Minister Alberto Hueyo. The bill is now before the Senate. Proceeds of the loan, which according to the plan would be floated by methods similar to those employed in Liberty Loan drives in the United States and war-loan campaigns in England, would be used to pay overdue wages and salaries of government employees and other Treasury obligations. The Chamber has also under consideration a proposal to reduce the gold backing of the peso from a 40 per cent to a 36 per cent minimum. Government advocates of the proposal have sought to allay the fears of bankers that it is a step toward inflation of the currency. The Chamber of Deputies has also passed the proposed budget, which carries estimates for expenditures of about \$210,000,000 and estimated revenues of about \$212,000,000. In an effort to control exportation of funds, all purchases of foreign exchange were made subject to governmental permit, effective on April 27. Previously amounts up to \$50 might be transferred daily without permit.

American bankers agreed to grant Argentina an extension until 1933 on \$13,000,000 of 6 per cent notes due on April 1, 1932. This is part of the balance of the \$50,000,000 loan due on Oct. 1, 1931, of which the Argentine

Government paid \$25,000,000 in cash at that time. Of the balance, \$5,000,000 was taken by American corporations doing business in Argentina and the remaining \$20,000,000 was refinanced by notes due on April 1 and July 1 of this year.

The Federal courts on April 28 granted the appeal of former President Hipólito Irigoyen for a prosecution of the charges preferred against him. The former President was pardoned by Provisional President Uriburu just before the latter left office, but refused to accept the pardon on the ground that he could not be pardoned unless he were proved guilty of the charges. On March 9 a Federal judge ruled that the case was closed by Presidential pardon, but Dr. Irigoyen appealed the decision. His supporters attempted early in April to set up a "rump" Legislature for the Province of Buenos Aires, based on the elections of April 5, 1931, which resulted in a victory of the Radicals. This election was annulled by Provisional President Uriburu. The presiding officer of the insurgent provincial Senate tried to interview President Justo, but was refused an official audience.

The population of Argentina was estimated on April 8 at 11,650,000, according to a statement issued in Buenos Aires. The population of Buenos Aires was estimated to be 2,195,200 and of Buenos Aires Province 3,162,040. The net gain by immigration for the past year was less than 6,000; 350,106 immigrants entered Argentina, but 334,251 persons emigrated.

#### SUSPENSION OF TRANS-ANDINE RAILWAY

The Trans-Andine Railway, one of the highest in the world and world-famous because of its engineering and operation features, suspended its services on April 20. Imposition by Chile of increased tariff duties on Argentine cattle—from 36 pesos to 500 pesos a head (the Chilean peso at present is

worth about 6 cents)—caused shipments of cattle to drop from a total of 42,300 in 1929-30 to 20 in the months since July 1, 1931. The British company operating the line was unwilling to face an estimated loss of about \$15,000 a month and voted to suspend operations. After conferences among President Justo, Foreign Minister Saavedra Lamas of Argentina and the Chilean Ambassador in Buenos Aires, it was reported that negotiations were under way for settlement of the tariff difficulties. On April 28 a representative of the operators said that service would be resumed provisionally the following week.

Suspension of the railroad left the Pan-American Airways as the only direct service across the Andes between Chile and Argentina. Indirect rail service by way of Antofagasta and Bolivia, requiring a long journey, and mule or stage-coach transportation across the Andes were the only alternatives. A concession to build a second trans-Andine railroad from Salta, Argentina, to Antofagasta, Chile, held by the Cerceda Garcés Company, has been extended by Chile.

#### BRAZILIAN POLITICS

The Brazilian political crisis, according to a report published on April 30 in the newspaper *A Noite* of Rio de Janeiro, has been settled. The reported agreement includes a provision for the establishment by decree of the Provisional President of a commission to draw up a constitution, each section of which is to be put into effect experimentally as it is completed. Elections are to be held on April 21, 1933. Other sources report that a constitutional assembly is to be called for February, 1933. This is believed to be satisfactory to anti-administration forces in the State of Rio Grande do Sul, and may prevent a combination of leaders of that State with those of Minas Geraes in opposition to President Vargas. Difficulties in the State of Sao Paulo were indicated by the resignation on April 23 of Pedro

Toledo, Federal interventor in that State. During a tour of inspection by Provisional President Getulio Vargas, Minister of Finance Aranha was Acting Provisional President. The President's willingness to surrender his authority even temporarily was looked upon as a good omen for the resumption of constitutional government. Another encouraging sign was the reported abolition of military censorship of cable messages. The cable companies still maintain a censorship, however, and before sending suspicious cablegrams turn them over to government censors for approval.

#### NEW PERUVIAN CABINET

A new Peruvian Cabinet took office on April 15, Premier Francisco Lanatta having resigned because of friction over his financial policies. The new Cabinet is headed by Luis M. Flores, Minister of the Interior, with Dr. Ignacio Brandariz as Minister of Finance. All the other Ministers retain the same posts. Congress heard the government's new financial plans in secret session on April 19 and passed a vote of confidence in the Finance Minister.

#### COLLAPSE OF THE REVOLT IN ECUADOR

The Ecuadorean naval rebels led by Commandant Ildefonso Mendoza were captured by government forces on April 11. The three-day revolt involved only one casualty among the rebels and one—crushed between two ships of the improvised fleet—among the loyal forces. Sympathizers with the rebels in Guayaquil demonstrated against the leader of the government forces after the collapse of the revolt. Captain Benignos Abad was sentenced on April 24 to eight years' imprisonment for his participation in the revolt. A report from Panama alleged that the real reason for the revolt was a threatened investigation of Captain Abad and Commander Fernández, two of the leaders, on charges of graft and inefficiency. According

to this report, they induced Mendoza, a defeated Presidential candidate, to lead the revolt in the hope of creating a diversion. But the announced purpose was opposition to the Conservative party and President-elect Nep-tali Bonifaz.

#### POLITICAL UNREST IN CHILE

A grouping of parties of the Left in Chile under the leadership of Arturo Alessandri, former President and defeated candidate in the Presidential elections of last October, has been effected. The program of the group is substantially that advocated by Alessandri in his campaign. The principal aim is dissolution of "Cosach" (Compañía Salitre de Chile), the nitrate combine, in which the government has a 50 per cent interest. The immediate occasion for the formation of the new bloc was the election of Alessandri, at a by-election on April 10, as Senator from Tarapaca and Antofagasta Province—a post for which Alessandri, always a popular idol, made no campaign.

Another opponent of President Montero, Dr. Carlos Dávila, former Ambassador of Chile to the United States, who has been in hiding since April 21, when his arrest was ordered for the

second time under charges of subversive activities, has issued a long manifesto in which he advocates a form of State socialism for Chile. He declares that the government can take over and operate all the means of production and distribution in Chile within the limits of the present Constitution, and urges that the people of Chile act without violence to secure a trial of "socialism adapted to our national peculiarities."

#### CHILE GOES OFF GOLD

The new monetary bill providing for temporary suspension of the gold standard was approved by the Chilean Senate on April 19 after passing the Chamber of Deputies the previous day. The bill eliminates a fixed par value for the peso, allowing it to seek its level. A similar bill, which was passed a week before, was vetoed by President Montero because it contained an anti-foreign provision forbidding public utilities to increase their rates. This had the effect of preventing American or British owned street-railway, light, power and telephone companies from adjusting their rates to a possibly lowered peso. The bill was finally passed without this section.

## The New British Budget

*By J. BARTLET BREBNER*

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THE most sensational feature of Neville Chamberlain's budget, presented to the British House of Commons on April 19, was the omission of the \$171,500,000 owing to the United States for 1932-33 and of the amounts of reparations and dominion war debts owing to Great Britain for the same period. This was, he explained two days later, "simply

a notice that as we did not know what was going to happen, we left both sides out of the account in order to deal with them when certainty came to us later on." Although British policy, as declared on Feb. 2, was in favor of a general cancellation of war debts and reparations because of the belief that Germany could not pay, the omission of these amounts from

the budget was in no sense repudiation. It was declared to be a postponement until after the Lausanne conference. If that meeting failed, it was said that London and Washington would negotiate directly for a new Anglo-American agreement.

Next in importance to the budget was the announcement that the government would seek authority to borrow £150,000,000 with which to control sterling exchange. The fund was to be a capital account exempt from "raiding" for balancing the budget. It was to be controlled by the Treasury, not the Bank of England, and its operation was to be secret. Losses might reasonably occur, but they were held to be better than dislocation of trade and industry through fluctuations in sterling. The crux of the matter lay in the anomalous position of the issue department of the Bank of England, which must, by law and in continuance of government policy, value its gold at the old value in sterling. In addition its foreign assets are subject to fluctuation. Under the new scheme the exchange equalization account of the Treasury would reimburse the issue department of the Bank when the Bank's operations in gold and foreign assets showed a bookkeeping loss, as, for example, when it bought gold, and the Treasury would be reimbursed by the Bank in the opposite case. The gold reserves held at the old sterling rate could be converted to the new at a sterling profit whenever the new stabilization rate was determined.

The outcome hoped for would be that Treasury and Bank could combine to steady sterling by purchases and sales without upsetting the Bank's books or embarrassing it in controlling the note issue. In the sense of the dilemma described in *MAY CURRENT HISTORY* (pages 220-221) this device signalized a decision in favor of a low value for the pound as an encouragement for industry and the export trade instead of gradual in-

crease in value for the benefit of foreign investment. Sir Robert Horne, in a speech on April 20, indicated that \$3.60 was a maximum beyond which the benefits to industry of the 10 per cent tariff would be nullified, and \$3.45 was mentioned as a desirable figure. Actually the pound fell from between \$3.75 and \$3.80 to between \$3.60 and \$3.65 after April 19 and it held firm at \$3.66 on May 3 in spite of a marked decline in the dollar in terms of other currencies.

On April 29, although Parliament had not yet ratified the scheme, tenders were invited for an unlimited amount of 3 per cent Treasury bonds at a minimum price of 97½. The bank rate had been reduced to 3 per cent on April 21 and it was assumed that, if the issue were successful, part of it would be added to the £25,000,000 of the "dollar fund" to form the Exchange Equalization Fund. During March and April gold imports slightly but consistently exceeded exports.

There was much talk about the stabilization of prices so as to face the admitted fact of stabilized wages. Mr. Runciman on May 2 asserted that actually sterling was stable, and it was gold that continued to fluctuate, a point which he proved by referring to the course of commodity prices. These had fallen steadily after their very modest increase in October and November after Great Britain went off the gold standard, but the decline was very small during early April and during the last week a long-awaited, if infinitesimal, rise took place. Because there were so many unknown elements involved, much of the talk had to be speculative, but it evidenced a desire to coordinate a stabilized pound, wholesale prices, wages and interest rates so as to foster industry and the export trade.

The new budget left the income tax at 25 per cent and did nothing to alter the civil service salary reductions of last Autumn. The beer duty remained at its former level and a tax of four-

pence (about 8 cents at par) a pound on foreign and twopence a pound on empire tea was introduced. The return from the general 10 per cent tariff was estimated at the low figure of £27,000,000 and the high-tariff Conservatives felt that they had been betrayed by their own party to conciliate Labor and Liberal members of the National Government when only £5,000,000 from new tariff duties was budgeted. The new tariff scheme, in anticipation of the expiration in May of the abnormal imports act, came into effect on April 25. Its general effect was to impose an average tariff of 20 per cent *ad valorem* on imports of manufactured goods in place of the 50 to 100 per cent rates on specified categories of goods under the former act and the general 10 per cent tariff. The rate was 33 1-3 per cent on some iron and steel manufacturers, but experimentally only, and for three months. The Dominions continued to be exempt, pending the Imperial Conference at Ottawa. Any further decline in the pound would somewhat increase the average rate, at least temporarily.

The wheat bill passed its third reading on April 7. It provided for a subsidy to British growers equal to the difference between the world price and 45 shillings a quarter (about \$1 a bushel at present sterling rates). This was to be paid for by a tax of 1 shilling on every sack of flour sold by the millers. Another result of the tariff policies was the rush of foreign manufacturers either to set up factories in Great Britain or to license British manufacturers to make their products. A reduction by April 1 of 8.5 per cent over Jan. 1, 1932, and of 6.2 per cent over April 1, 1931, in idle shipping tonnage was also claimed as justification for Great Britain's new policy of protection.

The trade figures for March, the first month under the general tariff, bore out the predictions of the protectionists. Imports totaled £61,110,000,

as compared with £62,266,000 in January (February was abnormal because of pre-tariff dumping) and £70,664,000 in March, 1931. Exports totaled £36,610,000, as compared with £35,460,000 in February and £39,427,000 in March, 1931. The adverse balance for March, 1932, was £24,500,000 (£31,237,000 in 1931) and for the first quarter of 1932 was £85,044,000 (£89,135,000 in 1931). The tendency toward redress of the adverse balance was consistent, if small, and in addition the percentage of decline in British export trade was distinctly less than for Britain's chief competitors.

The Parliamentary situation remained unchanged, although Arthur Greenwood, a Laborite ex-Minister, won a straight fight from the Conservatives in a Yorkshire by-election and a Conservative backed by the Beaverbrook anti-Baldwin forces won a safe Conservative seat from another Conservative in London. The Conservative majority in the House of Commons was so large that differences within it were bound to occur, but there was no serious outside threat. Mr. MacDonald's eye trouble and his international duties kept him pretty much out of Parliament, and the Liberal and "Liberal Labor" members of the National Government continued to oppose the government's tariff policy, but it was hoped to keep a united front for Ottawa in July.

#### *IRISH DIFFICULTIES*

It became increasingly obvious during April that in setting out to abolish the oath and discontinue payment of the land annuities to Great Britain President de Valera of the Irish Free State had unleashed forces far more intractable than he had expected them to be. He could, no doubt, dominate his Cabinet, dragoon the Labor members whose support he needs, ignore the Sinn Fein extremists who repudiated him and even overawe the Senate with the threat of a new election. But his political nationalism involved an

economic nationalism for which agricultural Ireland was ill-prepared. The Irish Free State needs markets more than she is needed as a market. Mr. de Valera has pledged himself to secure immediate political self-sufficiency and he would like to balance his budget by retaining the land-purchase annuities, but Ireland cannot attain economic self-sufficiency as rapidly as that.

The British Government has not yet mentioned its one real interest in the whole matter, that is, the determination to avoid the risk that Ireland might ever be used by another power as a base for naval or military operations against her. That has been British policy since the thirteenth century and provision for it was the only real limitation on Irish sovereignty in the Anglo-Irish Treaty of 1921. Beside it the form of the oath is relatively unimportant and even the £3,000,000 a year in repayment of land-purchase advances might be a matter for negotiation. Mr. de Valera has also avoided the subject, except by a possible remote inference in a speech on April 10. Both parties to the dispute, therefore, have avoided its ultimate implication and their formal exchanges have simply stated the deadlock between their immediate views. Thus far the British Government has announced that it must stand by the treaty and the financial agreements of 1921, 1923 and 1926. The Free State Government has declared that the oath is not required by the treaty and that it knew nothing of the Cosgrave financial agreements.

The oath bill, which passed its first and second readings in the Dail, proposed more than abolition of the oath. The total effect of the bill might correctly be described as elimination of the articles in the treaty and Constitution which seem to Mr. de Valera (but not to the Cosgrave opposition) incompatible with the constitutional equality of Great Britain and the Dominions which was stated at the

Imperial Conference of 1926 and given legal form in the Statute of Westminster last year. If the bill is passed it will involve the niceties of very intricate constitutional law and will be a fit subject for negotiation either at the Ottawa Conference or before the proposed British Commonwealth Tribunal. Mr. de Valera has assured the governments of New Zealand, Australia and South Africa, as well as that of Great Britain and his own, that he wants friendship with Great Britain, and he has accepted the Canadian invitation to Ottawa.

Meanwhile the economic situation of the Free State has remained urgent. Discussion of the budget was postponed until May 11, although the deficit was announced as £1,400,000. Labor insisted that something must be done about unemployment and defeated the government for a few hours when it tried to postpone discussion. It secured the promise of further consideration of the subject at the first opportunity. Highly charged with sentiment as is the question of Irish sovereignty, it is at least as important as the task facing the Irish Cabinet of extricating the country from its present economic situation, which could be made intolerable by provoking exclusion from an imperial system of preferential trade.

The proposal that the Irish Free State should absorb Northern Ireland has been raised again with some fervor—"One Ireland, one army, one Parliament." An unfortunate phrase of J. H. Thomas's thoroughly frightened Ulster, and Viscount Craigavon, the Prime Minister, made a trip to London for reassurance. He was informed that no official proposal to merge the Irish polities had been made, nor would it be considered against the will of the people of Northern Ireland.

#### *THE CANADIAN BUDGET*

Mr. Rhodes, the Canadian Minister of Finance, on April 6, presented his

budget for 1932-33. The deficit was \$51,000,000 on ordinary account for the past year and \$50,000,000 for special relief of unemployment. These figures did not include the deficit on the national railways. Mr. Rhodes planned to reduce expenditures by \$25,400,000 and increase receipts from taxation by \$55,000,000, hoping for a surplus of about \$4,000,000. The sales tax, which was raised from 1 to 4 per cent last year, was raised again to 6 per cent. The excise tax on all imports was increased from 1 to 3 per cent and there were a number of increases in income tax and "nuisance" taxes, such as those on checks and telegrams. No major tariff changes were made.

The Canadian balance of trade became favorable in February after being adverse for twenty-seven months, but in March imports totaled \$57,437,000, against exports of \$39,749,000. The most striking change, however, is in the monetary value of Canadian international trade, which was \$2,505,000,000 in 1929 and \$1,245,000,000 in 1931. The shrinkage in volume was estimated as at least 25 per cent. Canada has traveled far down from the favorable balance of \$402,000,000 in 1925-26, and it is imperative for her to improve her trading position soon. The recent marked tendency away from trade with the United States and toward Great Britain has continued. The new trade agreement with New Zealand, which has just been approved by both Parliaments, is an omen of what might be worked for at the Imperial Conference. The main provisions were for mutual British preferences with special provisions to control the exchange of local products, chiefly dairy produce from New Zealand and lumber and motor cars from Canada.

#### UNREST IN NEWFOUNDLAND

After the disturbances in Newfoundland in early April, Sir Richard Squires returned to office as Prime

Minister and denied any intention of resigning. Rains and the tactful services of war veteran civil guards prevented further trouble, and the arrival on April 12 of the British warship Dragon from Bermuda at the request of Sir John Middleton, the Governor, could be welcomed with some amusement. The Governor on April 7 decided to create a royal commission to investigate the whole affair. The government caucus planned to summon the Assembly and arrange for an early dissolution and general election. A measure of financial hope was announced on April 18 in the form of proposals by the Imperial Oil Company of Canada for an oil monopoly in return for investment of \$1,750,000 in Newfoundland bonds.

#### DEFIANT AUSTRALIAN STATE

A running fight continued in Australia throughout April between the Federal Government, which has assumed responsibility for the bond defaults of New South Wales and Mr. Lang, the Labor Premier of that State. On April 6 the Commonwealth High Court upheld the validity of the financial agreement enforcement act, by which the Federal Government may collect State taxes and impound State revenues to meet the defaults. Mr. Lang promptly withdrew State funds from the banks and stored them in the Treasury. On April 7 the Federal Government ordered the State citizens to pay State taxes directly to the Commonwealth Treasury, whereupon Mr. Lang changed the locks on the tax offices. Four days later the Federal Government attached all betting, racing and amusement taxes in New South Wales and ordered the banks to turn over all State funds. Mr. Lang then converted the State Treasury into a bank, using orders on it and cash in lieu of checks.

Premier Lang also filed notices of appeals to the Privy Council in the matter of the act and its exercise, but these were refused by the High Court

on April 22 and 23. On April 26 the Federal Government decided formally to demand the State tax records, and some fifty trade unionists prepared to defend the tax office. A further default of £200,000 was made on May 1. Next day Mr. Lang appeared to surrender the records, but it was discovered that he had handed over only the returns of the penniless. The Federal Parliament replied on May 4 by rushing through an act imposing a fine up to £1,000 or imprisonment up to three years for any official who impeded the seizure of revenues or production of tax documents.

Although the Labor Government of the State of Victoria was defeated in the Legislative Assembly on April 13, it remained in office, pending an election on May 14. The Acting Premier of Victoria and Premier Lang of New South Wales prevented the Premiers' conference from securing the unanimity necessary for the raising of a £10,000,000 loan for unemployment. The share of New South Wales would have been £3,000,000. The four other States combined with the Commonwealth on April 20 to authorize a £2,400,000 loan, and substantial amounts were set aside for New South Wales and Victoria should they come to terms. The defaults of New South Wales, now paid by the Commonwealth, will total £7,000,000 by the end of June, and the Commonwealth deficit for 1932-1933 is estimated at £21,000,000.

#### RIOTS IN NEW ZEALAND

During the last three years New Zealand has reduced her expenditures by about £6,000,000 and during April legislation was passed for a reduction of over £4,000,000 for 1932-33. This entailed a 10 per cent cut in civil service salaries. A procession of protest at Auckland on April 14 developed with suspicious rapidity into a very serious riot, which went on until April 16. The disturbance took the form of window-smashing and looting along almost a mile of Queen Street shops. Order was finally restored. About

300 arrests were made. Over a hundred civilians and numbers of police and armed forces were injured.

The banks gave the government a breathing space by hypothecating £2,500,000 of returned soldiers' land mortgages, and it was estimated that without additional taxation the budget deficit for 1932-33 could be kept down to the manageable total of £2,000,000.

#### THE INDIAN IMPASSE

There have been no recent signs either of a settlement of the profound Indian differences which followed the adjournment of the Round Table Conference or of any relaxation in the British policy of repression. On April 5, for instance, it was announced that a meeting of the All-India Congress would take place at New Delhi on April 24. Next day the government forbade it, but the Congress President, Mrs. Sarojini Naidu, defied the ban. She was arrested on April 22 for attempting to leave Bombay against orders and in the next two days over 400 Congress members, including Mrs. Naidu's successor, the revered Pandit M. M. Malaviya, were arrested for "illegal activities" connected with their attempt to hold the meeting.

During April the two English statesmen who used to have Gandhi's confidence and who earned it by the efforts they made to understand and conciliate Congress opinion expressed their disappointment over his intransigence and refusal to admit the claims of other Indian groups. Lord Sankey did so on April 14 in an article in the *News Letter* and Lord Irwin in his first Massey lecture at Toronto on April 27 spoke of Gandhi's behavior as "one of the major tragedies of the Indian situation." The three British committees of inquiry in India and the Indian consultative committee were reported to be hard at work trying to frame a federal constitution for the British Government to impose on India, but fears were expressed over probable Conservative sternness and reaction.

# French President's Tragic End During Elections

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IN the midst of the excitement roused by the French elections—between the first ballot on May 1 and the second on May 8—the world was shocked by the assassination of Paul Doumer, President of the republic, by a Russian who was evidently far from sane and who seems to have hoped that the desperate act would provoke France to declare war on the Soviet Union. M. Doumer is the second French President to die by assassination, the other having been Sadi Carnot, who was stabbed by an anarchist at Lyons in 1894.

President Doumer's death could not have come at a more delicate moment—less than two days before the second ballot in the national elections, which could not be postponed. As France has no Vice President, the as yet undissolved Chamber of Deputies and Senate had to be summoned without delay to meet in joint assembly to elect a new President. When the National Assembly met at Versailles on May 10 Albert Lebrun, president of the Senate, was elected President of the republic on the first ballot, which resulted as follows: Lebrun, 633; Paul Faure, 114; Paul Painlevé, 12; Marcel Cachin, 8; blanks and void, 59; total votes, 826. Painlevé's small vote was due to his having announced that he was not a candidate.

The fatal attack on M. Doumer took place in Paris shortly after 3 o'clock on the afternoon of May 6. The President had just entered a charity sale arranged by an association of authors

who were war veterans, and was signing a book which was to be later offered at auction. The assassin, Paul Gorgulov, fired five shots, two of which struck M. Doumer, while Claude Farrère, a well-known author, and Paul Guichard, director of municipal police, were wounded as they wrested the revolver from him. The President was taken immediately to a near-by hospital, where he died early next morning, less than fourteen hours after the attack. M. Doumer was 75 years old.

As was anticipated, the general elections in France on May 1 revealed a decided swing to the Left and the leadership of Herriot, and the supplementary elections of a week later confirmed this tendency. Absolute majorities were obtained in the first voting by 256 candidates; a second balloting, in which only relative majorities were necessary, was required in 359 constituencies. According to a tabulation by the Ministry of the Interior available at this writing, the results were as follows:

Conservatives .....	5
Republican Democratic Union (Marin) .....	76
Independent Republicans .....	28
Popular Democrats .....	16
Left Republicans (Tardieu) .....	72
Independent Radicals .....	62
Radical Socialists (Herriot) .....	156
Independent Socialists .....	6
Republican Socialists (Painlevé) .....	30
Socialists (Blum) .....	129
Socialist Communists .....	11
Communists .....	12
Unreported colonial seats .....	12
Total .....	615

Tardieu and all his Ministers were re-elected on the first ballot, as were Herriot, Daladier and Chautemps for the Radical Socialists, Marin for the Republican Democratic Union, Franklin-Bouillon for the dissenting Radicals, Painlevé for the Republican Socialists and Léon Blum for the Socialists. Paul Faure, a leading Socialist, was defeated at Autun. The incomplete results on May 10 showed that M. Tardieu's group in the Chamber lost 29 seats, that of Marin 14. The Communists fared well; despite the fact that their leader, Marcel Cachin, was defeated, they gained eight seats.

The Radical Socialists increased their representation by 47, the Socialists by 17. As the former party had lost steadily to the Socialists in the last Chamber, beginning with an advantage of twenty-five seats and ending with five less than their rivals, this election would seem to be a Radical Socialist victory rather than a Socialist one. It should be remembered, however, that the Radical Socialists of France are not radical in the American sense of the word, nor socialistic in any accepted definition of the term; the word "liberal" would describe them more adequately.

To Premier Tardieu, the decided swing to the Left was ample evidence that his government no longer had the public confidence. On May 10, therefore, after he and his Cabinet had, according to custom, handed their resignations to the newly elected President, Albert Lebrun, they declined the invitation customarily extended for their reappointment as a new government. They agreed to remain at their posts, however, until the new Chamber should meet in June and a new Cabinet should be formed.

It has been said that the electoral campaign gave evidence of apathy on the part of the voters, but this is not altogether true. There were 3,617 candidates for the 615 seats—a few hundred less than in 1928, but the popu-

lar vote was larger than usual, having been estimated at about 80 per cent of the electorate, as compared to the 70 to 75 per cent which is normal.

When the results of the first ballot became known, the Bourse of Paris reacted unfavorably, French rentes falling by more than a franc and the Bank of France shares declining by over 600 francs. This is a natural effect of the propaganda in financial circles against the "Cartel of the Left." French financiers have not forgotten the days of 1926 when the treasury was empty, when the franc fell to 2 cents and when capital, frightened by certain threatened policies of the Herriot Cabinet, took flight to foreign countries. It was on the danger of a renewal of the black days of 1924-26 that most of the government speakers played during this electoral campaign. Apparently, however, they succeeded better with the market speculators than with the rank and file of the electorate.

The main issues in the election were clearly presented in the speeches delivered by the Premier and his Ministers and by the leaders of the Opposition, Herriot and Blum. M. Tardieu, in an address in Paris on April 6, gave an exhaustive and masterly presentation of the case for the administration, and followed it by another more aggressive address delivered on April 17 at Giromagny, in his own electoral district of Belfort. Two other important statements of the Cabinet's policies were presented at Rouen by the Minister of Justice, Paul Reynaud, and at Ajaccio by the new Minister of National Defense, François Piëtri. The principal Opposition speeches were delivered at Narbonne by Léon Blum, at Lyons, La Tour du Pin and Avignon by M. Herriot and at Nantes by M. Caillaux.

The task of the Left consisted in stressing the budget deficit, the emptiness of the treasury (which three years ago had a balance of 19,000,-

000,000 francs), the uncertainty of Franco-German relations, the heavy burden of military expenses, the extravagant financial policy of loans to private banks or bankrupt nations and, above all, the support given to the government by those elements of the Right which are not in sympathy with the doctrine of peace by conciliation in foreign politics or with the principle of secular schools and a democratic system of education in domestic affairs. The supporters of the government pointed to the reforms accomplished, the help given to the farmers and workers, the pensions voted for the veterans and the maintenance of French security, coupled with the 20 per cent concessions to Germany in the matter of reparations.

The principal point in the controversy between the majority and the Opposition was the part that the Socialist party would play in the coming Legislature. Was it to remain in opposition, engaged in destructive criticism and refusing even to vote the budget, or was it to join the Radical Socialists in another Cartel of the Left, thus playing a controlling part in the political game? The government press and orators tried to revive the fear that the Radical Socialists, instead of joining in an old-fashioned concentration Cabinet with the more progressive elements of the majority, might form a cartel in which socialistic policies would dominate, and hence endanger economic stability and international security as conceived by the conservatives. But M. Tardieu and Paul Reynaud were rather conciliatory toward the Herriot party and concentrated their attacks on the Socialists, endeavoring to arouse against them the suspicions of the peasantry and the property owners.

These tactics were facilitated by the frank and bold manner in which Léon Blum announced in his Narbonne address the intentions of the Socialists. Taking for granted that his party would make important gains, he examined the alternatives which would

face it—either it would be the most numerous group in the House, and hence entitled to take charge of the government, or it would be so influential that its active collaboration or passive friendship would be necessary, as in 1924, for the working of a government of the Left. If the first developed, M. Blum said that his party would assume the responsibility of power in spite of the risks such a decision entailed. If the second came to pass, if the Socialist support were needed by the Radicals, Blum wanted to know whether the latter would agree with him on a minimum platform comprising three planks—the reduction of armaments to the level of 1928, national unemployment insurance legislation and the nationalization of the railroads and of the private insurance companies. To this semi-ultimatum Herriot replied only by stating that he would be governed by circumstances and that his party would go forward "toward a truly republican government, free and alone," leaning toward neither the Left nor the Right.

Since Herriot will probably fall heir to the mantle of Tardieu, his attitude is worth examining. Although a sincere pacifist and a supporter of a policy of conciliation, he will not take any steps that might endanger French security. In fact, during the last Legislature he showed himself on the questions of the Anschluss and the Hoover moratorium to be in sympathy with many of the views of the majority; at times he was even accused of being infected with a mild form of nationalism. During the campaign, while attacking the government both in his speeches and in his articles with the dignity from which he rarely departs, he was very careful not to commit himself to any definite statement of future policies. He preferred to stress the position of his party, which he defined as the "axis, not the wing, of a coalition," and as a party which is intensely national and in-

tensely republican. "We claim to represent the majority of France. We are the old and faithful infantry of the republic," he said in his second electoral address of April 17; "we will not accept a position as the last link of a chain which is held at the other end by the Right."

#### FRENCH FINANCES

The total collections for the budgetary year ended March 31 were 42,536,000,000 francs (\$1,678,045,200 at current rates), which was 1,123,000,000 francs less than the estimates and 2,528,000,000 francs less than collections for the previous fiscal year. Of the estimated income tax of 9,056,000,000 francs for 1931-32, only 8,100,000,000 francs have been collected, and there is every indication that much of the rest will not be paid.

The foreign trade figures continue to show the same downward trend. For the first quarter of 1932 exports decreased by 7,547,000,000 francs as compared with the figures for the same quarter in 1931. Both imports and exports declined 38 per cent.

The policy of the Bank of France of recalling gradually its foreign balances has attracted attention to the change which has occurred in the total volume outstanding. These balances had remained more or less unchanged for a long time after the stabilization operations which preceded legal stabilization of the franc. On the eve of the crash in sterling last Autumn they still stood at 25,000,000,000 francs, or about \$980,000,000. Now, however, the outstanding total is only about 12,000,000,000 francs, or \$470,000,000.

About the middle of April a small and irresponsible Paris newspaper, *L'Ordre*, printed an article which cast doubts upon the solvency of a large New York bank. This intensified an attack on the dollar which had already assumed some proportions, but the French Government interfered and expressed its absolute confidence

in the American currency. To be sure, after the break in sterling last Autumn—which cost the Bank of France close to \$100,000,000—France withdrew some \$200,000,000 of the \$700,000,000 on deposit in New York. But the balance left in the United States and the holdings of the French Treasury in dollars are considered proof of the fact that France is anxious to see the gold standard maintained in this country. Early in May, however, the French franc was quoted at above the gold-export point, and gold flowed from New York at a rate which alarmed many observers.

#### FRANCO-AMERICAN TRADE

The matter of import quotas was again discussed and explained by Premier Tardieu, this time in his electoral address at Giromagny on April 17. He praised the present system for its suppleness and its efficiency, but viewed it only as a temporary remedy. "We must defend ourselves," he said, "against low-priced imports, which nearly dealt us a death blow." But as soon as possible France will adjust her tariff. The same view was expressed in a campaign speech by Minister of Commerce Rollin, while M. Caillaux, the great financier of the Radical Socialist party, said the same thing even more strongly. Meanwhile, another quota affecting American exports to France was announced in an official decree of April 20. Imports of cotton socks, which have heretofore come chiefly from the United States, were limited between March 30 and June 30 to 83,000 dozen pairs. Of this total, 39,000 were assigned to Germany, 20,000 to Italy, 20,000 to Spain and Czechoslovakia, while the United States figures under the heading of "other countries," which are allotted a total of only 2,096 dozen pairs.

The double taxation system, which since 1926 has caused many American firms with branches in France to pay 16 to 18 per cent on that part of

their dividends ascribed to French operations, came to an end on April 27 when a treaty retroactive to May 1, 1930, was signed by Premier Tardieu and Ambassador Edge as the result of long negotiations. This removes a long-standing source of friction and misunderstanding between France and the United States, one that Ambassador Edge has endeavored to eliminate ever since he went to Paris. The same measure applies to Great Britain, Italy, Belgium and Germany; they too have been seeking to have it enacted. It was stated that in exchange the United States has made concessions regarding French companies and nationals in the United States.

#### BELGIAN LIQUOR QUESTION

Belgium has been experiencing a wave of sentiment against liquor control. The existing "blue laws," aimed especially at strong alcoholic beverages and forbidding their being sold in hotels, cafés and restaurants, have been both evaded in practice and op-

posed on principle. Official figures show that the annual consumption of liquors, which averaged 11,097,850 gallons before 1930, rose in that year to 109,853,500 gallons. The law which prohibits the consuming of strong drink in public places allows, however, its sale in certain quantities for consumption in the home. It does not regulate the sale of wines or beer. It is this law that certain groups have been trying to modify. The Socialist party, however, and especially its leader, Emile Vandervelde, called by certain papers the "father of the blue laws," have led a strong movement to retain and enforce the present legislation.

The debate in Parliament on the amendment of the law was marked by scenes of great excitement, the Opposition alleging that 100,000 public houses were selling liquor in violation of the statutes. Licensed victualers complained of the competition of private clubs which sell spirits freely, and asked for liberty all round or for complete prohibition.

## Hitler's Gains in Prussia

*By SIDNEY B. FAY*

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THE success of the followers of Adolf Hitler in the elections in Prussia and four of the other German States on April 24 dampened the enthusiasm of the moderate elements in Germany aroused by the final election of Hindenburg as President of the republic. In the State elections of April 24 Hitler's supporters secured a larger number of seats than any other single party in Prussia, Wuerttemberg, Hamburg and Anhalt, and came off a good second in Bavaria. In these five States, which com-

pose approximately five-sixths of the German Republic, the Hitlerites obtained an average of about 35 per cent of the votes—38 per cent in Prussia and 30 per cent in Bavaria. This percentage was considerably more than they obtained in the first Presidential balloting, but, of course, less than in the second Presidential balloting, when they absorbed many votes from smaller parties which offered no Presidential candidate.

In the election for the Prussian Diet on April 24 Hitler's National Social-

ists elected 162 members of the new Legislature, whose composition, as compared with the one elected four years ago, together with the party leaders, is as follows:

Prussian Diet.	1928.	1932.
National Socialists (Hitler)	6	162
Nationalists (Hugenberg)	82	31
People's party	40	7
Centre or Roman Catholics (Bruening)	71	67
State, or Democratic, party	21	2
Social Democrats (Otto Braun)	137	93
Communists (Thaelmann)	56	57
Other parties	40	3
Total	453	422

These figures show that the Hitlerites largely absorbed a number of the small "other parties" and cut heavily into the Nationalists, the People's party, the State party and the Social Democrats. But the Centrists, who are held together by religious ties, and the Communists, who are affiliated with Moscow, nearly held their own.

In a post-election statement issued from his headquarters in Munich, Hitler declared with truth that his party was now the strongest in Germany. "Our success is due," he added, "not to clever tactics, but to relentless toil. What the propaganda department achieved in a few brief weeks is unprecedented. Our task is not to rest a minute, but to renew the fight for the independence of Germany." His success was also due, apart from his personality and his sweeping promises, to increasingly hard economic conditions, heavy taxes and unemployment, which are felt even more severely in Germany than in other countries suffering from the world-wide depression. Possibly the action of Dr. Severing, the Prussian Minister of the Interior, in ordering the dissolution of Hitler's "storm troops" a few days before the election, may have been an unwise political move on the part of the Social Democrats in rousing sympathy for and in influencing some wavering voters to support the party which the government and the police seemed to be persecuting.

The most important consequence of the Prussian election is that the "Weimar coalition," which has enjoyed control in Prussia ever since the war, has now lost its working majority. This coalition consisted of the Centre, State and Social Democratic parties, which, as has often been said, represented respectively the forces of morality, liberalism and social welfare. In the Prussian Legislature elected in 1928 these three parties together controlled 229 seats—a small but clear majority of the total membership of 453. In practice the working majority was larger, as the support of several other small groups could be counted on. The coalition has consistently supported Dr. Otto Braun as Prime Minister in Prussia for a dozen years, an extraordinarily long time when compared with the usual short career of most post-war European Prime Ministers. But in consequence of the election of April 24 the old Weimar coalition will command only 162 seats when the new Prussian Legislature meets. In other words, it will have only as many as the single National Socialist party, and will be far from controlling half the total of 422 seats. Since the National Socialists, even if supported by the thirty-one Nationalists, will not have a clear majority, some new coalition must be formed.

Premier Braun will continue to carry on the government until the new Prussian Diet meets, but then presumably he at last will have to resign. Under new rules, which were hastily adopted by the old Legislature of April 12, in anticipation of an increase of Hitlerite Deputies in the elections, the Prussian Premier must be elected by an absolute majority. But Hitler does not possess this absolute majority, and therefore must seek to combine forces with some other party besides the Nationalists. It is quite possible that he will turn to the Centre and form a coalition of the Right parties.

Hitler does not aspire to the Pre-

miership himself, as he prefers to be the power behind the government. The Centrists on their part have asserted their readiness to "work with all parties determined to serve the weal of the entire State on a constitutional foundation," but stress their continued opposition to "a one-sided party dictatorship." Such a coalition would give Prussia a government based on a stable parliamentary majority. It would also have the advantage of leaving a share of the control with the Centrists, who generally are distinguished for their moderation and good sense and who are also widely representative of different social classes and economic interests. Such a coalition would inevitably tend to moderate the "Nazi" program (see May CURRENT HISTORY, pages 170-172) and to allay some of the fears of the French and the Poles.

If such a Hitler-Centrist coalition should be formed in Prussia, very probably Hitler would demand of Chancellor Bruening, the head of the Centrist party in Germany, that the present Reichstag should be dissolved—although it has two more years to run—and that a new Reichstag election be held for all Germany. Such an election would doubtless give the Hitlerites many more seats than the 107 which they won in the Reichstag election of September, 1930, and would naturally lead to a Hitlerite-Centrist coalition Cabinet for the whole German Republic similar to that which now seems likely in Prussia.

Should such a coalition not be formed in Prussia the political situation would be deadlocked until some other grouping of parties could be found to give a majority. Meanwhile the Communists would be in the strategic position of holding the balance of power between the hitherto existing Weimar coalition and the newly elected powerful Hitlerite party. Whether the Communists would temporarily support the Hitlerites or not is questionable. Hitherto they have been the most deadly enemies of the

National Socialists; but some papers have suggested that they might aid the Hitlerites for a brief interval in the hope of creating disturbances and difficulties for the German Republic, which would ultimately play into the hands of the Communists and bring them into power after the National Socialists had been overthrown.

The elections in the other four States, Bavaria, Wuerttemberg, Hamburg and Anhalt, showed much the same trend as those in Prussia. The preliminary figures gave the results as follows, the main parties being arranged, as in the case of Prussia, from Right to Left:

	Wuert-	Bavaria.	Han-	Anhalt.
	Berg.	Burg.	burg.	
National So-				
cialists ....	43	23	51	15
Nationalists .	3	3	7	2
People's				
party .....	..	..	5	2
Centrist (Ba-				
varian Peo-				
ple's) .....	45	17	2	1
State party... .	18	2	2	1
Social Demo-				
ocrats .....	20	14	49	12
Communists..	8	7	26	..
Other parties.	9	12	2	..
Total .....	128	80	160	35

#### GERMAN ECONOMIC CONDITIONS

As the Spring months advance there has been little marked change, either for better or worse, in Germany's economic and financial condition. The Berlin stock market, which was closed last September to official trading because of the financial chaos and the fear of a total collapse of securities and of a financial panic, was formally reopened for trading on April 15. In spite of being closed for seven months—though some unofficial trading, but without quotation of prices in the newspapers, had been permitted under strict government supervision—the volume of trading was much less than the normal amount a year or more ago, and there was generally a considerable decline in prices.

The annual reports of 6,355 German corporations show an average dividend rate of 3.6 per cent, as compared

with a rate of 5.3 per cent during the preceding year. Companies representing 53 per cent of the total capital of all those making annual reports passed their dividends.

Bankruptcies during March were officially reported as 968, compared with 1,261 in March, 1931. The record shows a decrease of 30 per cent in March from last October, which was the worst month in the record of this depression. The figure, however, is somewhat deceptive, since the number of cases in which settlement was made by creditors ran considerably above the figure of a year ago.

Unemployed workingmen on April 15 numbered 5,934,000, a decrease since the middle of March of less than 200,000, in spite of the seasonal increase of employment which usually occurs at this time of year. In the corresponding month a year ago there was a decrease of the unemployed of 363,000.

In drawing up the budget to be presented to the Reichstag Chancellor Bruening is likely to have to face a deficit of about \$150,000,000. No provision is being made in the budget for the payment of any reparations during the coming year. It may also be noted that Neville Chamberlain's British budget makes no provision for the receipt of reparations from Germany and of war debts from France, and likewise no provision for the payment of Great Britain's war debt to the United States. Are these signs pointing to the likelihood that at the Lausanne conference, scheduled to meet in June to deal with reparations and war debts, there will be a continuation of President Hoover's moratorium or perhaps even an attempt to wipe the slate clean of this thorny problem?

The decrease in the consumption of alcohol and the consequent fall in revenues from this source, resulting from the high price of alcohol, led President von Hindenburg on April 22 to decree a drastic cut in the monopoly rate from \$3.80 to \$2.38 a

gallon. The abstinence of the Germans had reached a degree which resembled a consumers' strike, except that the consumption of foreign wines as well as smuggled and bootleg alcohol had risen abnormally.

Germany's gratitude for the Hoover moratorium, and especially for the part played by the American Ambassador in Berlin in bringing it about, was marked on April 25 by the conferring by the University of Tuebingen of the honorary degree of Doctor of Political Science upon Ambassador Sackett.

#### HITLERISM IN AUSTRIA

Hitlerism spread from Germany to Austria in the elections on April 24 for the Vienna Diet and several other provincial Diets. The Hitlerite National Socialist successes were achieved chiefly at the expense of the Pan-German and Farmers' parties, which were wiped out. The new Vienna Diet will consist of 66 Socialists, 19 Clericals and 15 Hitlerites. Allowing for a reduction in the size of the Diet, this means a gain of one for the Socialists, a loss of nineteen for the Clericals and the appearance of fifteen Hitlerites, who previously were not represented. Similarly, in the balloting for the Salzburg Diet, the National Socialists increased their popular vote nearly sixfold, from 4,537 in 1930 to 24,125 in 1932, while the Christian Socialist party decreased from 51,136 to 41,413 and the Socialists from 36,900 to 28,810.

The election showed that the Hitlerites, who were previously a mere handful in Austria, cast about 16 per cent of the total vote in the Vienna Province, 18 per cent in Lower Austria and 22 per cent in the Salzburg Province. They may very likely demand a general election in the whole Austrian Republic. And they have weakened still further the Christian Socialist Government of Chancellor Buresch, which for some months has had an insecure tenure as a minority Cabinet.

# First Year of the Spanish Republic

By WILLIAM E. LINGELBACH

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THE first anniversary of the Spanish Republic was celebrated with great enthusiasm on April 14, just one year after Alfonso XIII slipped out of Madrid on his way to exile, and the tricolor of the republic replaced the standard of the Bourbons. This year Madrid was in holiday mood. Thousands thronged the streets and public squares. The festivities were inaugurated on April 13 by a State banquet given by President Zamora to the diplomatic corps and by a great parade of airplanes, the largest concentration of air forces in the nation's history. Despite a nation-wide fiesta there was surprisingly little disorder. The republic is not only safe but orderly.

A note of buoyant optimism pervaded most of the addresses and newspaper editorials. The achievements of the first year of the republic and its manifest stability were acclaimed on all sides. Addressing himself to the problems of the future, the Prime Minister said: "Now that the republic has resolved the important problems it found pending, it is going to occupy itself principally with invigorating the nation's economic life, using every resource to favor the circulation of capital and procure the revival of public riches."

Among the accomplishments of the year are the drafting and adoption of the Constitution (see the full text on pages 374-384 of this magazine); its enforcement "with order and authority" against the bitter opposition of the Right and the Left; moderation and courage in the disestablishment

of the church; progress toward the establishment of secular education; the gradual but relentless republicanization of the army; the tactful and firm handling of the difficult Separatist problem, and finally, the inauguration of agrarian reform, which, when carried out, will do more than anything else to modernize the nation.

The questions of Catalan autonomy and of land reform were given precedence on the legislative program when the Cortes reconvened on April 26, after a recess of four weeks, to resume the second period of its labors—the adoption of practical measures necessary to give effect to the organic law, or, as it is aptly called, "implementing the Constitution." Unfortunately, the question of Catalan home rule is almost impossible to solve satisfactorily in view of the uncompromising demands of many Catalans for what is equivalent to complete independence.

A great demonstration was staged on April 24 by 100,000 Catalonians before the palace of the Catalan Generalidad. They loudly demanded that the Cortes adopt the Catalan autonomy statute in its entirety and without change. To this demand Colonel Macia, the white-haired President of Catalonia, shouted: "We must defend the statute at all costs. If it is not passed, God help Spain and us!" Opposed to this attitude is a large element in the national Cortes, which maintains that the statute was not drawn wisely and that it should be considered item by item. The ex-

tremists have adopted a new slogan, "Nosaltres Sols," or "We ourselves," and Daniel Cardona, the leader of this faction, roundly denounced what he calls the political "opportunism" of Colonel Macia, boldly declaring that Catalan liberty "must come from internal conflict. It cannot be obtained by dickering with Spanish politicians." Manifestly the Separatist question will not only occupy the centre of the stage in the coming weeks but it will seriously threaten to interrupt the hitherto orderly evolution of the republic.

Intent on making capital for their cause, the Royalists, who are reported to have settled their differences, are frankly encouraging the Separatist movement, the substitution of the corporative vote for universal suffrage and a concordat between State and church more acceptable to the latter than the present status. In the meantime the church has accepted the Constitution and is cooperating with the authorities of the republic despite occasional acts of violence against it by the Radicals, such as the burning of a church in Seville on April 8 and the monastery at Antequera earlier in the same week. Minor labor disturbances of a sporadic nature continued during the month in one or two industrial centres, notably at Valencia, but the watchful enforcement by the authorities of the government's defense of the republic act, forbidding any form of anti-government activity, has checked the disorderly elements.

Carrying forward its program of social reform, the government has opened an Institute of Penal Studies for the education of prison wardens. Courses in criminology, penology, psychology, criminal pedagogy and prison administration are provided. In recognition of the services of the press in the establishment of the republic, one of Alfonso's former palaces has been transformed into a "residence for aged and retired journalists."

During the month criticism developed in certain quarters of the lavish expenditures of President Zamora, whose very large salary amounting, with "entertainment allowances," to about \$180,000 a year is manifestly out of line with the economic program of the republic. Toward the end of the month the conflict between the President, as a representative of the civil authority, and the navy, still more or less Royalistic in its sympathies, developed in connection with President Zamora's visit to the Balearic Islands, in which the destroyer on which the President was traveling went on the rocks. The government in consequence is carrying through a rigorous republicanization of the navy, paralleling, in this respect, the transformation of the personnel in the army and the civil service. The latest measure in regard to the army envisages the entire replacement of all sympathizers of the monarchistic régime with young republicans from the ranks of the non-commissioned officers. Meanwhile, José Giral, the Minister of Marine, has taken the definite stand that Spain must be among the principal signatories of the proposed Mediterranean non-aggression pact, supporting his demand by a vigorous defense of his departmental budget of \$23,000,000 for the navy for 1932.

#### ITALY'S MATERIAL PROGRESS

Italy on April 21 celebrated the anniversary of the day, 2,685 years ago, when Romulus, according to ancient tradition, plowed the square furrow on the Palatine Hill which became the heart of the Roman world. The celebration takes its importance from the fact that Mussolini has made April 21, as he has Oct. 28, in honor of the Fascist March on Rome, a great national occasion for the opening of public works of all kinds and a sort of stock-taking of the year's work and of the achievements of rival communities. In this way it serves as a powerful stimu-

lus to the different municipalities to inaugurate improvements and carry out the program of "work" which the Fascists have adopted for the regeneration of Italy. Throughout Italy new streets, new public gardens, new schools, new blocks of workmen's houses were officially opened or dedicated. In Rome the formal opening of the magnificent new street from the Piazza Venezia to the Coliseum, skirting the imperial forums, attracted particular attention. The day also witnessed the annual admission into full party standing of the Fascist youth of the nation. This year the young Fascisti of Rome alone numbered 100,000. Mussolini himself presided over their enrolment in the Fascist militia.

From a survey of the plans to fight unemployment it appears that in the nine years of the Fascist régime the huge sum of \$825,000,000 has been spent on public works. With the special appropriation of \$290,000,000 added to the amount already budgeted for the purpose this year, works costing \$470,000,000 will be in progress, making the colossal total of \$1,585,000,000, or three-fourths of the entire sum spent on public works in the sixty years from 1862 to 1922.

In the second week in April Italy suddenly interjected a new factor into world politics. At the conclusion of a protracted session the Fascist Grand Council issued a startling declaration on the present European situation. In it Italy's restiveness over the baffling delays and dilatory tactics of international conferences is expressed in no uncertain terms. Fascism now has gone on record as definitely favoring a readjustment of war debts and reparations, the reduction of oppressive customs barriers, economic accord for the Balkan and Danubian States and the revision, through the League of Nations, of certain disturbing features of the peace treaties which are a constant source of friction and may easily lead to war. To these Mussolini added disarmament and the control and distribution of gold as further

steps toward the cure of the European depression. On the subject of disarmament he expressed confidence in the ultimate outcome of the Geneva conference. There are persistent rumors that when the question of Italy's relationship to the League of Nations comes up for consideration in October she may formally voice the criticism, now very general in the Italian press, that French influence is too dominant in League affairs, or that she may even consider withdrawing from the League altogether.

Mussolini has thrown the moral support of Italy on the side of disarmament by instructing the Navy Department to withhold its construction program for the fiscal year. "If we today presented a program to be carried out in future years," said Admiral Siriani, Minister of the Navy, "it would be interpreted as signifying our loss of faith in the conference." Referring to Foreign Minister Grandi's plan for the abolition of battleships, submarines and air carriers, the Admiral explained to the Deputies that this did not mean immediate, but only gradual, abolition. On the other hand, it did mean that no more ships of these categories would be built.

Unfortunately, the report of the Budget Committee recommending the War Department's budget of \$149,000,000 for 1932-33 is less conciliatory. It characterizes the idea of a lasting peace as "an eternal dream," refers to the repercussions of the Sino-Japanese conflict and draws attention to the unprecedented excellence of the French Army and to an unarmed Germany, at a time when the conference at Geneva is discussing disarmament.

During the month the representative of the Fascist labor syndicates was at last admitted to his place in the working committees of the International Labor Conference. For nearly nine years this exclusion had largely paralyzed the participation of the Italian delegation in the work of the Labor Conference. By a vote of 89 to

30 the rules were amended and the partial ostracism of Fascist labor brought to an end. In Italy it is regarded as a clear recognition of the liberty of the Italian syndicates and a distinct victory for Senator de Michelis, chairman of the delegation.

In the matter of Italy's trade, the improvement in the balance continues favorable, the monthly imports for March falling below those of a year ago. True, the excess of imports over exports for the month was still \$6,838,000, but this contrasts favorably with an unfavorable balance of \$10,520,000 for March, 1931. The un-

employment situation also shows improvement, there being a total decrease of 95,000 over last month, or a decline to a total of 1,053,000, of whom 826,000 were men and 284,000 women. The greatest unemployment is in the building trades, with agriculture coming next. Early in the month another illustration of confidence in the government and in national stability was furnished by the extraordinary response to the subscriptions for the new government bond issue of \$52,600,000. In less than twelve hours the subscriptions received totaled four times that amount.

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## The Crisis in Central Europe

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By FREDERIC A. OGG

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AS recorded in this magazine last month (see "Salvaging the Danubian States," pages 191-196), the four-power conference which convened in London on April 6 to save the Danubian States from economic collapse, itself collapsed within forty-eight hours. The outcome of a different line of effort a week later was hardly more reassuring. The International Chamber of Commerce, in session at Innsbruck from April 16 to 20, devoted itself to the Danubian situation, but accomplished little because of conflict between a plan substantially identical with that put forward by Premier Tardieu in London and an alternative German proposal for unilateral preference for Austrian industrial products, combined with a general preference for agrarian products of Yugoslavia, Rumania and Hungary. Poland, Hungary and the three members of the Little Entente endorsed the French plan; Germany and Austria opposed it; Great Britain

and Italy took a neutral position, although the latter eventually gravitated toward Germany and Austria.

The British delegate described his country as gravely disappointed at the course of affairs in Central Europe and as unwilling to grant fresh credits there without "vital reforms and substantial guarantees," and added that his government was prepared to examine and support any plan whatever that gave reasonable prospect of bettering matters. With some attempt at a show of unity, the delegates adopted resolutions before adjourning, but of scarcely more color or promise than the far from illuminating statement given forth by the conferees in London. The economic difficulties of the Danubian States, it was gravely declared, are "connected with the world depression"! The problem requires "immediate and effective intervention," yet must be solved as a part of "methodical European reorganization"! Danubian cooperation

must "be based on an exact foundation, which must not, however, excite the hostility of other States"! As further cover for the essential deadlock behind these meaningless pronouncements, the Chamber of Commerce created a permanent committee to work further on the subject. Few observers, however, were so optimistic as to expect any results of importance.

The meeting of the Council of the League of Nations on April 12 to consider the report of the Finance Committee of the League upon Danubian affairs (detailed in these pages last month) was duly held. However, on the ground that the experts appointed by the unsuccessful London conference should have opportunity to confer with the League committee and to consider its report of April 1, Great Britain, France, Germany and Italy—whose delegates alone participated in the discussion—secured a further postponement until May 9, the date of the Council's next regular session. The results of this latter meeting were not known at this writing. The gathering of April 12, however, revealed some disposition, especially on the part of Dr. Bernhard von Buelow, Germany's representative, to minimize the apparent failure in London.

But the financial difficulties of at least two of the lesser States could not be held in suspense over so long a period. On April 15 the government of Bulgaria notified the League Council that as of April 1 it was suspending for six months the transfer of 60 per cent of the country's foreign debt service (instead of the 50 per cent which the League Finance Committee had recommended), and on the same day Premier Venizelos told the Council that in order to balance the Greek budget, due to go into effect on May 1, his government was compelled to cease entirely the payment of redemption service on both external and internal debts, and also, as for interest,

to cut the internal service one-fourth and totally to suspend the transfer of the external service.

#### CZECHOSLOVAK PARLIAMENT

At the opening of the Spring session of the Czechoslovak Parliament, the government announced that various matters which ordinarily would have come up for discussion at this time would be postponed, and that attention would be devoted exclusively to measures designed to alleviate the existing financial and economic situation. Prominent among these were bills increasing the taxes on beer and on trade turnover, creating a special unemployment fund, and granting the State railways a privileged position in respect to the operation of motorbus services. The proposed increase on trade turnover was strongly opposed by the Small Traders' party as an undue burden on traders and shopkeepers, but the threatened withdrawal of the party from the government coalition was not deemed probable or likely to have any important result. Considerable interest attached to a bill introduced about the middle of April to lower the period of compulsory military service from eighteen months to fourteen. The proposal was acceptable to the recruits themselves, and was likewise construed as showing that the country stands ready to do all that it can toward reducing its military establishment and cooperating in such wide-world efforts at disarmament as seem feasible in existing circumstances.

Persistent reports of famine conditions in the Province of Ruthenia led, at the middle of April, to violent attacks upon the government by the parties of the Left, followed by the abrupt resignation by M. Roszpal, Governor of the stricken area.

#### POLISH AFFAIRS

Charges in Polish newspapers that the Senate of Danzig, in which the Nazis are influential, was fostering an

alleged plan of Adolf Hitler to transfer the headquarters of his outlawed "army" to the Free City led during the last week of April to renewed tension between Danzig and Warsaw. Dr. Pappee, Polish High Commissioner in the Free City, was requested by the Senate to deny the rumors, but Polish authorities continued to manifest alarm over the possibility that the country might find itself with a Hitlerite base at its back.

In pursuance of powers conferred by Parliament on March 30, a Presidential decree of early April gave the Minister of Industry and Commerce dictatorial control over the production and sale of coal, including the regulation of the monthly output of each mine and the formation of cartels.

The return of Marshal Josef Pilsudski to Warsaw on April 23 from a six weeks' vacation in Rumania and Egypt gave rise to fresh rumors of impending changes in the government, but without any demonstrable basis. For two years, the so-called dictator has been a sick man, and it is by no means certain that his active connection with politics will continue.

John N. Willys announced in Wash-

ington on April 26 that he had resigned the American Ambassadorship to Poland, to which he was appointed about two years ago.

#### HUNGARIAN FINANCES

By a vote of 93 to 45 the Hungarian Parliament on April 22 extended for one year the extraordinary powers granted the government several months ago to deal with economic difficulties. In view of the fact that the 1932-33 budget had been balanced without making provision for the deficit of the preceding year, a bond issue of \$8,250,000 was authorized at the same session to cover it.

#### GREECE ABANDONS GOLD

The appointment on April 22 of Kriakos Varvaressos, counsel to the Bank of Greece, as Minister of Finance to succeed George Maris was generally understood to foreshadow the country's abandonment of the gold standard, because he had publicly advocated such a step. Expectation was fulfilled three days later when Premier Venizelos announced the change to the Legislature, adding that it was a mistake not to have made the decision at the same time as Great Britain.

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## The Unfolding of the Kreuger Scandal

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By RALPH THOMPSON

ALTHOUGH nearly three months have passed since Ivar Kreuger committed suicide in Paris on March 12, Swedish financial circles are still nervously attending the ultimate results of the mismanagement which has been revealed by his death, and Paris, London and New York await further revelations

by the official investigating commission which is examining the books of the late genius of Swedish industry and finance. In response to many requests, the Swedish Government late in April agreed to extend until May 31 the moratoria for Kreuger & Toll and associated companies. By that time the total effect of the débâcle

may be known in Stockholm and abroad. At present it is possible to say only that the scandal is second to none in recent history.

On April 20 the Swedish Government reported that the general financial situation was satisfactory, but without doubt the country has been severely shaken by the recent disclosures. There is some talk of the necessity of increased taxes to offset the loss of sums heretofore received from the Kreuger companies. Suicides in Sweden have become numerous, and it is said that many individuals have declared themselves unable to meet their private obligations. Various estimates place the loss to Swedish investors in the Kreuger enterprises between 300,000,000 and 500,000,000 kronor (\$55,000,000 to \$92,000,000).

In New York, the International Match Corporation, controlled by the Swedish Match Company, an affiliate of Kreuger & Toll, went into receivership on April 13. Testimony before the Federal referee in bankruptcy on May 3 disclosed the fact that Kreuger's American bankers had sold to American investors approximately \$250,000,000 worth of securities without positive evidence that assets to secure the loans were in existence. In other words, reputable American bankers, because of their confidence in the word of Kreuger and his auditors, had marketed securities based upon the "earnings" of what appear to be fictitious match monopolies in various European countries. On May 4 it developed that certain of these monopolies were actually in existence but were of a nature that rendered their exposure inexpedient.

What this implies is not altogether clear. It has been rumored here and there, however, that Kreuger had advanced huge sums to certain European governments which found themselves in financial straits and had exacted from them in return a monopoly of their match trade. Foreign Minister

Hellner of Sweden was reported on May 4 to have said that there was documentary evidence which seemed to show that Kreuger had acquired the Italian match monopoly in return for a State loan. But Premier Mussolini denied the existence of such an agreement, and declared that the dead financier had forged the name of Mosconi, the Italian Finance Minister, to a contract which was never granted. Previous findings show that Kreuger had not been above forgery.

This earlier evidence of Kreuger's double dealing had been brought to light in the middle of April when the commission investigating the assets of Kreuger & Toll in Stockholm found forged Italian Treasury bills amounting to some \$80,000,000 in the late financier's safe. These apparently had been printed in Stockholm at Kreuger's order, assigned to the International Match Corporation for \$50,000,000 in German bonds, and these latter genuine securities exchanged for certain mining shares which were acceptable collateral at the Riksbank for a cash loan of 40,000,000 kronor (over \$7,500,000). Evidently Kreuger's operations during the past years had been so greatly handicapped by the general depression in business and the drop in security prices that he had found it impossible to maintain even a semblance of solvency without recourse to fraudulent methods. Several of his former business associates have been arrested on the charge of complicity in the falsification of certain balance sheets.

#### THE MEMEL CONTROVERSY

The much-debated case concerning the legality of Governor Merkys's dismissal of Otto Boettcher, President of the Directorate of Memel, is to be brought before the World Court. The four powers signatory to the Memel Convention of 1924—Great Britain, France, Italy and Japan—have petitioned for an opinion on six specific points, the first and most important

of which involves Governor Merkys's action. From the point of view of Lithuania, the Governor was within his rights, for Boettcher, although a Lithuanian citizen, had conducted negotiations with Germany which were considered detrimental to Lithuanian interests, and Memel is, by the convention, a unit under Lithuanian sovereignty. The semi-official organ of the Lithuanian Government, *Lietuvos Aidas*, on April 14, expressed the opinion that the ultimate purpose of Germany's attempts at "Germanization and intrigue" in the Memel district was not so much to alienate the territory from Lithuania—for Memel itself is of little material importance to Germany—as it was to break down one of the boundaries fixed by the Treaty of Versailles, and by this breach to make more possible the eventual recovery of Upper Silesia, the Polish Corridor and even Alsace-Lorraine. Therefore, although the litigation at The Hague will be nominally between Lithuania and the four great powers, Lithuania feels that Germany will be more than casually interested in the decisions.

Voting for members of the Chamber of Representatives of the Memel Territory took place on May 4 and resulted in a victory for the German parties. Apparently the sympathy of the majority of the inhabitants of the region is not with Lithuania.

#### DANISH AFFAIRS

Comments upon the State finances of Denmark in a recent issue of the *Danish Foreign Office Journal* are cheerful. When the country was forced to abandon the gold standard late in September, 1931, it was felt that the consequences would be serious indeed, but the fears were apparently exaggerated. The budget account for the fiscal year 1929-30 had shown a comfortable surplus, and that for 1930-31 was more than twice as large. The 1931-32 figures, however, while not yet fully available, promise to be sat-

isfactory, for customs and excise revenues for the first ten months are larger than those of last year. For 1932-33 increased taxes and duties are expected to mitigate the consequences of the general international downward trend. The annual tax burden per inhabitant in Denmark is about \$50, compared with \$44 in Sweden, \$60 in Norway and \$72 in Great Britain.

Danish agriculture, so important a factor in the national economy, has found its earning capacity greatly weakened by the fall in commodity values. Butter prices in Copenhagen have dropped 28 per cent in two years, bacon more than 60 per cent, eggs 33 per cent. As a result, the net return to farm capital—which during the post-war decade was over six per cent—was less than one per cent in 1930-31, and for the current year may be non-existent. Yet agricultural exports must be maintained; more than three-quarters of Denmark's total area is employed agriculturally, and in 1931 the sale of the country's farm products abroad represented over 80 per cent of her export trade.

Unemployment in Denmark continues to increase. At the end of March the percentage was 37.5, as compared with 22.1 for the same date in 1931. In the industrial field alone the percentage was 27.7, against 16.7 last year.

#### PACTS WITH SOVIET UNION

Within the past few weeks two nations of Northern Europe have signed agreements with the Soviet Union for the peaceful settlement of disputes. A Russo-Finnish conciliation treaty was negotiated in Helsinki on April 22 as an appendix to the non-aggression pact signed in January, but it is probable that Finland will not ratify it until corresponding agreements have been reached between Soviet Russia and her other European neighbors. The first of these was arranged on May 5 with Estonia, according to reports from Moscow.

# New Curbs on Soviet Labor

By EDGAR S. FURNISS

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THE closing of the great Soviet automobile factory at Nizhni-Novgorod three months after it had been launched upon its career of mass production has raised many conjectures regarding the actual status of Russia's industrial program and the future course of Communist policy. This breakdown of Russian large-scale industry, and especially the steps being taken by the Soviet authorities to redeem the situation, have been interpreted as foreshadowing a radical departure in Communist policy involving a surrender of socialistic objectives. Such is the opinion expressed by Senator Borah in a statement on April 4.

The Nizhni-Novgorod automobile factory is typical of the new Soviet large-scale industry. It is an American-built enterprise constructed at a cost of \$119,000,000, to produce to a schedule of 144,000 cars a year. Set in operation on Jan. 1, it was given three months to gather momentum for the beginning of mass production on April 1. When that date arrived, however, the government discovered that the factory was not only unprepared to carry out its production schedule but could not be operated at all under existing conditions. A somewhat similar situation came to light at the same time in many other branches of the new industrial system. The Non-Ferrous Metal Trusts' output was only 50 per cent of the schedule; certain of the recently constructed steel mills were also lagging far behind expectations; the largest and most modern of the coal mines were producing only a

fraction of the scheduled output; and so on. In all these cases the enterprises in question are alien importations, designed by foreign engineers and equipped with imported machinery. When construction was completed they were exhibited as proof of the success of the industrialization program, but, brought to the test of operation under Russian management and with native labor, they have failed more or less completely to meet expectations.

The Central Executive Committee of the Communist party, in a proclamation dealing with the breakdown of the Nizhni-Novgorod plant, has laid the blame for these failures upon faulty industrial organization. Such entirely novel enterprises would naturally be handicapped at the outset by the lack of skilled labor and adequately trained technicians; but time and effort can remedy this condition without compromise of basic principle. Significantly the Soviet leaders do not attribute the failure to the inevitable handicaps of infant industry, but to the underlying principles of organization and management upon which these socialistic undertakings have been established. Managers surrounded by government agents with power to interfere at all points in the interests of a political program, it is found, cannot discharge the functions required by modern complex industry. Inevitably they tend to shirk responsibilities and to evade decisions for which, if they fail to attain results pleasing to the political masters, they run the risk of heavy punishment.

Such subordination of economic to political leadership results in timidity and procrastination which are fatal to efficiency. Furthermore, wage earners taught to believe that the industry to which they are attached is operated primarily in their interests, and organized to share in the formation of its policies, are found to be not easily subjected to the discipline and regimentation of the modern large-scale factory. An industry so staffed becomes affected with a peculiar malady for which the Communist leaders have coined the illuminating expression "the interference of democratic meetingism"; that is, the tendency of the labor force to debate the propriety of the orders given by their managers, to insist on industrial government by consent. These are, in reality, two phases of a single problem—how to procure aggressive and effective management in enterprises conducted on a socialistic basis.

The Soviet authorities are dealing with the present emergency with customary vigor. Two of the strongest members of the all-powerful Political Bureau, Commissars Kaganovich and Ordjonikidze, deputed to investigate the failure of the Nizhni-Novgorod plant, returned with a demand for drastic changes in the internal organization of Soviet industry which would endow individual managers with absolute authority and exact immediate and unquestioning obedience from the workers. These changes were decreed at once for all branches of large-scale industry, and the government has been putting them into effect. Local party officials who have interfered unduly with the independence of the department heads of industries have been discharged from their posts, and factory heads are being assured that their command over the internal affairs of their enterprises is absolute. Engineers and technicians are urged to exercise complete freedom of judgment in dealing with problems as they arise. Labor organizations are

being deprived of their last remaining rights of interference. In short, Soviet industry is now to be conducted on a basis of managerial dictatorship and labor discipline not surpassed by the most conservative of capitalistic enterprises.

The problem of management in Soviet industry presents two quite different aspects—the question of the authority of the manager over the subordinate personnel of the enterprise, including the labor force, and the relationship of the manager to the agents of the political dictatorship which governs the country. With regard to the former, much progress has been made during the past few years, and still greater progress is promised by the decrees of the past month. But in regard to the second phase of the problem, it is difficult to see how the managers can be freed from subordination to political authority without destroying the program of planned and controlled economy upon which the whole Soviet policy rests. Broad social considerations, formulated and applied by the State, must determine the growth of the industrial structure and the operation of its various parts if the economic development of the country is to be guided along the lines of Communist theory. Despite Stalin's demand for greater managerial freedom a year ago, it is noteworthy that the burden of political supervision has grown heavier rather than lighter during the past months, as is shown by the lengthening record of punishments meted out to unsuccessful managers by their political masters. Unless a real change is effected in the relationship of the industrial to the political officer, the recent decrees will not mean an abandonment of the Communist objective; and the Soviet authorities show no sign of any intention to alter their system at this essential point.

The drive toward greater efficiency therefore affects the internal relationships of industry and especially the

status of the wage earner. This should be understood, for there is widespread misconception of the situation of labor in the Soviet system. Because the Communist program is proclaimed in the interests of the proletariat, labor in Russia is assumed to occupy an enviable position as compared with the working classes of capitalistic countries. This is not so. The one material advantage enjoyed by labor in Russia is the absence of unemployment. In other respects the Five-Year Program has meant an increased burden for the wage earner—tighter discipline, more strenuous and exacting labor, and probably, despite the Soviet statistics of rising money wages, a reduced real income. Moreover, the powers of organized labor have dwindled steadily since the early days of the Revolution; they are less today than those enjoyed by unions in capitalist countries; and they are now to be virtually extinguished by the Soviet authority.

The closing of the Nizhni-Novgorod plant and the resulting outburst of proclamations and decrees demanding increased labor discipline probably did not come by chance on the eve of the meeting of the Ninth Congress of Soviet Labor Federations in Moscow in the middle of April. At the previous national congress three years ago the labor federations possessed substantial powers of control in industry and were led by officers resolved to retain these powers. At that time Stalin drove Tomsky and his associates from office in the Central Council of Labor Federations and persuaded the congress to admit that organized labor in a Socialist State has no right to promote the material interests of its class, but merely the obligation to make industry more efficient. During the past three years the piece-rate system, the principle of diverse wages for workers of different grades and other modern efficiency methods have been introduced to break up the solidarity of labor. However, the practice of curbing the powers of management

through labor committees has persisted; and the Soviet authorities now propose to remove these last defenses of organized labor against the exercise of the boss's power over the individual workman. These recent events, therefore, apart from showing that the success of the Five-Year Plan has been exaggerated by the official statistics of industrial construction, are significant mainly as emphasizing the pressure of the Communist program upon the common man in Russia.

#### SOVIET FOREIGN RELATIONS

New uncertainties have been injected into Soviet foreign relations, both economic and political, by the developments of the past few weeks. The decision of the United States Customs Court on March 18 sustaining the Amtorg Trading Company's appeal against the levying of anti-dumping duties on Soviet safety matches has removed, for the time being, one serious menace to Russia's export trade. Of similar import was Secretary Mills's rejection, on March 24, of an appeal from our coal interests that Russian anthracite be excluded under the provision of the 1930 tariff law, which bans the products of foreign forced labor. The favorable effect of these decisions upon Soviet trade with this country will be insignificant, however, as long as credit conditions remain adverse. This trade has dwindled steadily and is now but a small fraction of what it was a year ago. Moreover, the improved legal status of Soviet trade with this country is more than offset by the increasing danger that Great Britain will terminate her trade agreement with the Soviet Union. On April 26 Walter Runciman, President of the Board of Trade, announced that the British Government was seriously considering canceling the existing commercial treaty on the ground that it was operating to the advantage of the Soviet Union alone. Trade statistics for last year show total Russian purchases in England of

£6,000,000 and total sales to England of £34,000,000. This favorable balance of about \$100,000,000 in Russia's trade with Great Britain is employed by the Soviet Union to finance essential purchases of industrial materials from other countries. At a time when European countries are finding it increasingly difficult to continue their credit arrangements with the Soviet trade agencies, a loss of this profitable market would be a serious blow to the Soviet Union.

In the sphere of international political relations the Soviet Union has achieved one success through adroit handling of the delicate situation created by the attempted assassination of the Counselor of the German Embassy in Moscow on March 5. The Soviet authorities took steps to free themselves of any blame for this event by promptly arresting, trying and executing the two men guilty of the outrage. Russia's relations with Germany have thus probably been improved rather than injured, but the episode

has indirectly caused a new friction in her already uncertain relations with Poland, since that country is accused by the Soviet press of having instigated the plot. [See the article, "The Soviets Prepare for War," on pages 175-179 of this magazine.] More important than these developments, however, is the increasing tension of affairs in the Far East. Thus far Russia and Japan have avoided clashes between their forces in Manchuria, and each country continues to profess peaceful intentions toward the other. But Russia is concentrating additional armed forces on the Manchurian border, and Soviet press opinion grows steadily more embittered toward Japan. On the other hand, as Japan's difficulties in Manchuria become greater with the spread of guerrilla warfare against her army, her suspicion of the Soviet Union increases. This situation is so fraught with danger that an unfortunate incident may suffice at any time to precipitate an open conflict.

## Turkey's International Relations

*By ALBERT HOWE LYBYER*

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TURKEY in the last twenty-five years has suffered as much as any nation from the imperfections of present-day human organization. Fortunately, her internal political organization is among the simplest and best-ordered in the world. The statesmen who guide her destinies are therefore able to consider the international situation disinterestedly. At present they are working earnestly toward improved international relations in several directions—in particular with their Balkan neighbors, with Soviet Russia and with the League of Nations.

The Turkish outlook toward South-eastern Europe has been disturbed by a threat to the plans for a Balkan federation which have been under way for three years. Turkey's hope has been to join a union of political cooperation and economic fellowship with Bulgaria, Greece, Albania, Rumania and Yugoslavia. Preliminary conferences have been held and studies have been made for the removal of the many obstacles which confront such a union. This plan has been seriously threatened by the proposal of a Danubian federation, which would unite Rumania and Yugo-

slavia with Austria, Hungary and Czechoslovakia. It seems impossible that Rumania and Yugoslavia could be included in both a Balkan and a Danubian union. As Rumania and Yugoslavia feel somewhat superior toward the nations southeast of them, they would undoubtedly, if left with a free choice, enter the proposed Danubian federation. At the moment that federation seems very distant. If it fails, then the Balkan federation will again have an opportunity for realization. If the depression continues for some years, possibly the refractory wills of all the peoples of Europe, or even of the world, will be so far subdued as to consent to remove political and economic barriers in a great union for the good of all.

Prime Minister Ismet Pasha and Foreign Minister Tevfik Rushtu Bey left Istanbul on April 24 for a three weeks' visit to Soviet Russia. Accompanied by many important Turks, they traveled to Odessa on a steamer placed at their disposal by the Soviet Government, and thence proceeded to Moscow, where they were received with every manifestation of friendliness. The Turkish press recalled how Soviet Russia had helped the new Turkey in its days of struggle for life. It was expected that the Turkish travelers would study Russian educational and industrial methods with a view to adopting such as might be suitable. Turkish statesmen and journalists have been careful to say that the increase of friendliness with Soviet Russia is not to be interpreted as diminishing in the least the warmth of their relations with other countries.

Two weeks before setting out for Russia, Tevfik Rushtu Bey, while addressing the disarmament conference at Geneva, hinted that Turkey might look favorably upon an invitation to join the League of Nations. Nine years ago, while discussing peace at Lausanne, the Turks considered joining the League, but are believed to have stayed out partly because their

desire for a permanent seat on the Council could not be granted. A year ago the Turks sought a semi-permanent seat. Possibly because the Council has lost importance through its management of the Far Eastern situation, Turkey is now disposed to make no stipulations.

The Turkish budget is to be balanced at about \$86,000,000, a reduction of \$8,000,000 from that of 1931. Even to meet the reduced budget, a serious increase in taxation is necessary. Small incomes will be obliged to bear a 30 per cent levy, while incomes over \$300 per month will pay 43 per cent.

The Turkish Central Bank was opened on Jan. 1, 1932. It is proceeding to withdraw existing paper money from circulation and issue new notes with a backing of gold and foreign gold exchange. The old currency was irredeemable, but was maintained at nearly a fixed value by its unchanging quantity. On Jan. 1 about 159,000,000 Turkish pounds [the Turkish pound is worth about 47 cents] was in circulation. About 10,000,000 Turkish pounds in new notes have replaced a similar amount of the old notes, thus establishing a gold backing of approximately 6 per cent.

The Turkish balance of trade during January and February showed the effect of the system of quotas. Imports have been reduced to less than half the figure of the two previous years, while exports have suffered much less. The returns for the first two months of 1932 show a favorable balance of about \$4,000,000, or 28 per cent of the total exports.

#### QUIET IN PALESTINE

The principal Moslem feasts of the year coincided in the third week of April with the Jewish Passover, and precautions were taken in Palestine lest serious clashes occur. The undercurrents of hostile feeling are now particularly strong between Arabs and Jews, although there is little public agitation on the part of either

group. The government permitted only processions which had been held regularly by the Moslems of Jerusalem, Hebron and Nablus, to march with flags to the so-called Tomb of Moses on the Jericho Road. The Moslems of Ain Karem petitioned that they also might be allowed a procession. The request was refused, but young men from the village endeavored to march. This led to a minor clash with the police, in which a few persons were injured. Otherwise the critical days passed without violence.

The ill-feeling of Arab toward Jew has been illustrated by a boycott of the fair held in Tel Aviv. The Mayor of the city declared that the fair, which was the third held there, was in celebration of the fiftieth anniversary of the founding of the Zionist colonies in Palestine. The Arabs, on the other hand, believing that the object of the fair was to demonstrate the superiority of Zionist industry over that of the Arabs, posted placards appealing for a boycott and resented their destruction by government authority.

In the British House of Commons on April 22 Colonel Josiah Wedgwood accused the British officials in Palestine of criticizing, cramping and disappointing the Jews, and presented again his opinion that Palestine should become a "seventh dominion." This idea involves the conversion of the British mandate over Palestine into a British imperial possession. A fundamental objection is that the consent of the Arab majority can hardly be expected, because such a plan contemplates permanent separation of their fortunes from those of the rest of the Arab world.

#### *REVOLT IN IRAQ*

The army of Iraq, aided by the British Royal Air Force, fought during April in mountainous country against the Sheik of Barzan, who has been attempting to maintain his independence. This repeats substantially the

type of operations carried on against Sheik Mahmud, from September, 1930, to April, 1931. Sheik Mahmud crossed from Persia and seized the police post at Tenjin. Local tribesmen drove off the invaders before Iraqi troops arrived. In the middle of Winter the Sheik took Surdash. Air forces enabled his flank to be turned and again he was driven out. He proceeded to the wild country of Kara Dagh, where the local tribes supported him. Troops and airplanes had for a time little effect. But in April the Sheik was forced to give up the contest. He crossed into Persian territory and sent word that he would surrender. In May, 1931, he accepted a life pension with permission to reside with his family at a place designated by the government.

On April 21 the government granted a concession to the British Oil Development Company for the exploitation of oil lands on the west side of the Tigris. The control of the company must remain in British hands.

The export trade of Iraq has benefited greatly by the removal of the pound sterling from the gold standard, and the consequent decline in value of the rupee, which continued to be the coin of Iraq until April 1, 1932. The date crop was disposed of to America and Europe at much increased prices over last year. Grain also rose in price from 30 to 40 per cent, and stores were emptied. Wool and skins did less well, but the government was, however, able to balance the budget without new taxation.

On April 1 a new currency based directly upon the pound sterling was introduced in Iraq. The unit is the dinar, equivalent to the pound sterling, divided into 1,000 fils. By the official rate of conversion one rupee is equal to 75 fils. This valuation would evidently be about 36 cents if the pound sterling had retained its gold value, but actually it is about 27 cents. Thus Iraq, Egypt, Palestine and India are linked with the varying fortunes of the English monetary unit.

# The Armistice at Shanghai

By HAROLD S. QUIGLEY

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**A**N official end of the undeclared war between China and Japan at Shanghai was reached on May 5 when Mamoru Shigemitsu, Japanese Minister to China, General Kenkichi Uyeda of Japan, and Quo Tai-chi, Chinese Vice Foreign Minister, who were at the time all patients in the Fu-ming Hospital, Shanghai, signed an agreement for an armistice. This accord between the two nations was attained after nearly a month of inactivity on the part of the principal negotiators, but followed directly upon the passage on April 30 of a resolution by the Assembly of the League of Nations which proved to be acceptable to the disputants.

Chinese authorities at Shanghai on April 9 had given up their efforts to reach a basis for an armistice and had referred the whole problem to the League's commission of nineteen at Geneva. This commission, in cooperation with representatives of the disaffected nations and with the material assistance of Sir Miles Lampton, British Minister to China, made known its recommendations to the League Assembly, which on April 30 adopted the resolution already mentioned. Under its terms the Japanese were to withdraw from the Shanghai area in the near future—Japan's delegate insisting upon a free hand for his country in deciding when conditions should justify complete withdrawal. The mixed international commission at Shanghai was authorized to call attention to any negligence of Japan in complying with the terms of the armistice. The Assembly was to resume discussion of the problem if nec-

essary. The resolution affirmed definitely that the Assembly resolution of March 4, which was taken unanimously, could be satisfied only by the complete withdrawal of Japanese forces from the Shanghai area.

The agreement of May 5 was regarded by Japanese officialdom as a mere stop-gap, for it was felt that the tenure of the existing Chinese Government was precarious and that the treaty would be seized upon as a pretext for General Chiang Kai-shek's enemies to start a new civil war. The Japanese expected that a new régime would probably repudiate the agreement because a time limit for Japanese military evacuation was not specified. At any rate a storm of Chinese denunciation of the peace pact immediately arose, according to Shanghai reports of May 6. The air was thick with charges that Chiang Kai-shek's government had "betrayed the nation," while the orders by the Nanking Government for the immediate suppression of the boycotts and other anti-Japanese movements in China were met with protests and petitions. Quo Tai-chi had been attacked and beaten by a mob of Chinese students shortly before he signed the agreement with Japan, and the following day he sent to Nanking his resignation as Vice Minister of Foreign Affairs. Earlier in the week, on May 3, Chen Chia-tang, the Cantonese General, had seized control of the fleet and air forces at Canton and there were reports of hostilities at Whampoa between his forces and a regiment of marines loyal to Nanking.

That the truce agreement was

signed in the Fu-ming Hospital was due to the fact that on April 29 Kim Fung-kee, a Korean, threw a bomb into a group of Japanese military and civilian officials in Hongkew Park, Shanghai. Dr. T. Kawabata, president of the Japanese Residents' Association of Shanghai, was killed and Minister Shigemitsu, Consul General Murai, Generals Shirakawa and Uyeda, Admiral Nomura and others were seriously wounded. The attacker was arrested, as subsequently were other Koreans thought to be involved in the affair as members of a group styling itself a provisional republican government of Korea.

#### EVENTS IN MANCHURIA

In Manchuria (or Manchoukuo, as the Japanese now call it) the League of Nations commission, composed of Lord Lytton (Great Britain), chairman, Major Gen. Frank R. McCoy (the United States), Count Luigi Aldrovandi-Marescotti (Italy), Henri Claudel (France) and Dr. Albert Schnee (Germany) and accompanied by Dr. Wellington Koo as Chinese assessor, reached Mukden on April 2 and began its investigations. A few days previously, on April 11, Marshal Chang Hsiao-liang, former dictator of Manchuria, had told the commission in Peiping that Japan's intervention was prompted not by China's disunity but by her growing strength due to the progress of nationalism. Dr. Koo entered Manchuria at great peril, since the puppet government of Manchoukuo had refused to admit him. However, protection was promised him by the Japanese Government within the railway area, since the League commission declared it would not visit Manchuria unless Dr. Koo were permitted to accompany it. The government of Manchoukuo issued a warrant for Dr. Koo's arrest on the ground of his relations with Marshal Chang Hsiao-liang but decided on May 6 to withdraw it on the understanding that he would refrain from

political activities. Japan's control of Regent Pu Yi's régime justified a general understanding that the initiative in opposing the entrance of Dr. Koo had come from Japan.

A correspondent who stated on April 26 that over 600 Japanese were acting as advisers to the so-called Manchurian Government described the Changchun Administration as "a mere makeshift, shining with a sticky, undried coating of Japanese lacquer." Contacts by foreigners with the Chinese officials were impossible except in the presence of Japanese advisers and interpreters. Revenues of the government were interfered with by the routing of through traffic on the Chinese railways to the east and west of the South Manchuria line over the latter railway to Dairen. Thus the problem of "parallel lines" was summarily solved, at least temporarily.

General Ma Chan-shan justified himself in Chinese eyes by repudiating on April 14 his affiliation with the Japanese. He declared from a safe distance that he had only appeared to join in Japanese schemes in order to learn their full import and that he would make a full report of his findings to the League commission. Since Ma spoke from the Russian town of Blagovestchensk, suspicions were aroused that he was involved with the growing Soviet military establishment across the Amur. He was replaced in the Governorship of Heilungkiang by General Cheng Chih-yuan.

The Japanese reply to the League's inquiry concerning the execution of pledges for withdrawal of troops into the railway area in Manchuria was published at Geneva on April 12. It reaffirmed the necessity of keeping troops outside the area, asserted that disorder was being fomented by Marshal Chang Hsiao-liang and expressed the hope that the creation of the new Manchoukuo Government would result in the restoration of order. Minister of War Araki in Tokyo, openly de-

fying the League, the United States and Soviet Russia, proclaimed that nothing they might do would turn Japan from her plan to make a paradise out of Manchuria.

Severe fighting continued throughout Central Manchuria between the Japanese forces upholding Pu Yi and the survivors of the former régime of Marshal Chang Hsiao-liang. Two Japanese brigades pushed the Chinese forces out of Fangchen, east of Harbin, on April 5. Another column entered the Chientao region from Korea to engage the army of General Wang Teh-lin, which was holding a large number of Japanese as hostages. Over 100 casualties were sustained by Japanese troops returning to Harbin when their train was wrecked. A Foreign Office spokesman in Tokyo ascribed the wreck to Russian Communists, while a writer in the Soviet semi-official journal *Pravda* accused Japan of inciting White Russians to such crimes in order to provoke the Soviet Union to cause a rupture that would give Japan a freer hand to subdue Northern Manchuria. Japanese military experts estimated the Russian concentration on the Siberian-Manchurian border at 70,000 men.

Troops of Manchoukuo were unable or unwilling to maintain by force positions east of Harbin, in the vicinity of Imienpo and Fang-cheng, from which their Japanese sponsors retired after expelling the Chinese troops hostile to the new Manchurian régime. On April 20 the Chinese Eastern Railway eastward of Harbin was again in control of Chinese loyalists. Picturesqueness was added to their efforts by a Chinese girl who, at the head of a thousand men, attacked Manchoukuo forces and drove them back. Manchoukuo troops required close association with Japanese forces to ensure their loyalty to an unpopular cause. Service on the Chinese Eastern Railway between Harbin and Changchun and east of Imienpo was cut on April 22. Japan was maintaining four full

divisions of troops in Manchuria at that date. On April 27 three Japanese brigades moved by rail and river into Northeast Manchuria against Chinese forces estimated to number 20,000 men. A two-day battle, with neither side victorious, occurred at Hailin, on the Chinese Eastern Railway. The Japanese entered Hailin on April 28.

A serious threat by anti-Manchoukuo troops to envelop the town of Tunhua, terminus of the Kirin-Tunhua railway, compelled General Tamon's division to entrain for that place on May 1. Lesser Japanese forces were engaged in the Tunghua district, east of Mukden. The Japanese were baffled by the ubiquity of their opponents, who, like the Irishman's flea, were here today and there tomorrow. Bloody struggles occurred along the Hulan-Hailun railway north of Harbin.

Count Y. Uchida, president of the South Manchuria Railway, resigned early in April, ostensibly because the Japanese Government, composed of members of the Seiyukai, had dismissed T. Eguchi, vice president of the line, who, with Uchida, had been appointed under the preceding Minseito Ministry. Kamei Hatta, a Seiyukai man, was appointed to Eguchi's position. At Premier Inukai's request for reconsideration, Count Uchida agreed to remain until after the visit of the League's commission of inquiry. The army was said to be insistent upon the retention of Count Uchida, though the office has been treated as a political plum.

Osaka and Tokyo financiers decided to form the Manchuria Development Company at Mukden, capitalized at 200,000,000 yen (\$66,400,000 at current exchange) to supply loans to Manchurian Chinese for the construction of water-works and for developing industries and agricultural enterprises. Plans were in process for a large trade exhibition at Changchun during the coming Summer. British business men complained of the smug-

gling of sugar and Americans protested regarding oil smuggling and unfairness in awarding public utility contracts.

#### CHINESE INTERNAL POLITICS

Opposition to the Kuomintang, the national party of China, was expressed in the refusal of sixty out of Shanghai's seventy-two delegates and of the entire North China delegation to attend a national emergency conference, which convened from April 7 to 12 at Loyang. North China leaders declared that they were seceding from the Kuomintang in protest against the dictatorial policy of the party and its failure to deal satisfactorily with domestic and foreign difficulties, and were forming a new national party. The Shanghai delegates demanded cessation of government maintenance of the Kuomintang and refused to pay homage to Dr. Sun Yat-sen's portrait.

Contemporaneously, General Han Fu-chu, Governor of Shantung province, declined to continue contributions from provincial funds to the central exchequer, defending his action as necessary in order to pay arrears owing to his own 70,000 troops. He also challenged the Kuomintang dictatorship. Officials of the National Government were disturbed by Han's defection, fearing it portended an alliance with that perennial objector, General Feng Yu-shiang. Governor Han has prevented boycotting of Japanese goods throughout Shantung. He released control of the central taxing bureaus upon receipt of national funds sufficient to pay his troops.

The Council of the International Settlement at Shanghai has voted against increasing taxes to pay the costs of protecting the area during the fighting, which amounted to \$1,200,000 silver. Chinese taxpayers threatened to resist payment on the score that parts

of the Settlement had not been protected.

"Communist" armies were reported to be menacing Changchow, capital of Fukien, on April 14. Changchow is situated near the coastal city of Amoy and 128 Americans were living within the Amoy consular district. Numbers of foreigners took refuge in the International Settlement on Kulangsu Island, off Amoy, and American and other naval craft were sent to protect them. In spite of strong resistance by Kwangtung forces, the "Communist" army, under General Sun Lieng-chung, former Kouminchun commander, captured Changchow on April 20. General Sun denied Communist leanings, asserting that he was out to save the Kuomintang and the nation. Large Cantonese forces went to the rescue of Amoy and deflected Sun's army northward.

#### FASCISM IN JAPAN

A National Socialist party, with principles similar to those of the German Nazis, was founded in Tokyo on April 15 by former members of the Shakai Minshuto, or National Democrats. Its leader is Katsumaro Akamatsu, who expects to attract members from a number of the existing labor and peasant organizations. The party aims to give the labor movement a patriotic spirit and to turn younger men from reactionary violence to support of a Socialist program in which loyalty to the dynasty will be the primary tenet.

Governmental efforts in Japan to control the price of silk by organizing a national syndicate of silk-producing interests were terminated unsuccessfully in April with the sale of over 100,000 bales of raw silk to an American silk association at the lowest price ever recorded in Tokyo. The government lost 50,000,000 yen by the failure of the control scheme and further losses were sustained by bankers and reelers.

# Text of New Spanish Constitution

THE Constitution of the Spanish Republic (the full text of which, in a translation made by Pedro Villa Fernández and Warner Moss of New York University, appears on this and the following pages) was proclaimed on Dec. 9, 1931, by the Constituent Cortes. It is not only the newest of the score or so of post-war Constitutions, but it is surprisingly modern and up-to-date, placing Spain in the very first rank of contemporary democracies.

The frame-work of government is extremely simple. It consists of a one-chamber Parliament—a Cortes elected for four years by universal, equal, direct and secret vote of all citizens regardless of sex who have reached the age of 23, a President elected for six years by the members of the Cortes sitting jointly with an equal number of popularly elected delegates. It functions chiefly through a Prime Minister and his associates in the Cabinet in whom and the Cortes are vested very large powers. Indeed the provisions for the extension of the functions and powers of the government over the social and economic life of the nation constitute one of the striking features of the Constitution. Its aim is to make Spain a country of equal opportunity for all, devoid of class distinction, with a fair division of wealth, and emphasis upon the principle of social responsibility.

The break with the Old Spain appears conspicuously in the disestablishment of the church and the assertion of the complete freedom of religion; in the secularization of education; in the provision for divorce by mutual consent or the request of either party upon due cause; the abolition of titles and the limitation of the power of the military. Natural resources and wealth are declared subject to the economic needs of the nation and the government is given the right to intervene in the direction and control of industry. Public service and natural monopolies may be nationalized. The spirit of internationalism is strongly reflected in the renunciation of war as an instrument of national policy, and in the

prohibition of all war, save with the sanction of the League of Nations. In the matter of "autonomous regions" the Constitution, while asserting the supremacy of the National Government as an "integral state of federative tendencies" nevertheless marks a decided departure from the usual Latin model of the unitary or highly centralized State, best exemplified in France.

WILLIAM E. LINGELBACH.

*Spain, by Right of Its Sovereignty, and Represented by the Constitutional Cortes, Decrees and Sanctions This Constitution:*

## PRELIMINARY CHAPTER— GENERAL PROVISIONS

Art. 1. Spain is a democratic republic of workers of all classes which is organized as a régime of liberty and justice. The powers of all its organs emanate from the people. The Republic constitutes an integral State compatible with the autonomy of municipalities and regions. The flag of the Spanish Republic is red, yellow and purple.

Art. 2. All Spaniards are equal before the law.

Art. 3. The Spanish State has no official religion.

Art. 4. Castilian is the official language of the Republic. It is the duty of every Spaniard to know it, and it is his right to use it, regardless of the rights which the laws of the State may concede to the languages of provinces or regions. Excepting as may be provided by special laws, no one will be required to know or to use any regional language.

Art. 5. The capital of the Republic shall be Madrid.

Art. 6. Spain renounces war as an instrument of national policy.

Art. 7. The Spanish State will respect the universal rules of international law, incorporating them into its positive law.

## CHAPTER I—NATIONAL ORGANIZATION

Art. 8. The Spanish State within the irreducible limits of its present territory shall be integrated by the union of municipalities into provinces, and by regions constituting autonomous governments. The sovereign territories of Northern Africa shall be organized into autonomous States in direct relation to the central power.

Art. 9. All the municipalities of the Republic shall be autonomous in matters within their competence, and they shall elect their governing bodies (*Ayuntamientos*).

*tos) by equal, direct, secret and universal suffrage, except in cases of open meeting. Mayors shall be chosen by direct election of the people or by the governing body.*

*Art. 10. The provinces shall be composed of municipalities united in accordance with a law which shall determine their government, their functions and the manner of electing the representatives of their political and administrative aims. The provinces shall retain under their jurisdiction the same municipalities of which they are at present formed, except for modifications properly authorized by law.*

*Each of the Canary Islands shall form an organic unit provided with an insular council representing its own interests, with functions and administrative powers equal to those assigned to the provinces by law. The Balearic Islands may elect a similar form of government.*

*Art. 11. If one or several contiguous provinces with common historical, cultural and economic characteristics agree to organize into an autonomous region to form a political and administrative unit within the Spanish State they shall submit a charter as provided for in Article 12. In that charter they may be granted either in whole or in part the powers set forth in Articles 15, 16 and 18 of this Constitution, without prejudicing, in the latter case, their right to be granted all or part of the remaining powers by the same procedure established under this Constitution. The condition of contiguity is not required in the case of insular territories. Once the charter is approved it shall be the basic law of the political and administrative organization of the autonomous region and the Spanish State shall recognize it and uphold it as an integral part of the national law.*

*Art. 12. In order to approve the charter of an autonomous region the following conditions are required: (a) That it be proposed by the majority of its governing bodies, or at least by those whose municipalities comprise two-thirds of the registered voters of the region; (b) that it be accepted according to the procedure prescribed by the electoral law, by at least two-thirds of the registered voters of the region. If the plebiscite be negative, the proposal for autonomy may not be renewed until after five years; (c) that the Cortes should approve it. The regional charters shall be approved by the Cortes (provided they conform with this chapter and do not contain any provisions contrary to the Constitution or to the organic laws of the State in matters not transferable to the regional authority, and without prejudice to the authority which Articles 15 and 16 grant to the Cortes).*

*Art. 13. In no case shall a federation of autonomous regions be permitted.*

*Art. 14. Powers of legislation and direct execution relating to the following matters are exclusive to the Spanish State:*

*1. The acquisition and loss of citizenship and the regulation of constitutional rights and duties.*

*2. The relation between the churches and the State and the regulation of denominations.*

*3. Diplomatic and consular representation, and, in general, the representation of the State in external relations; declaration of war; treaties of peace; government of colonies and protectorates and all kinds of international relations.*

*4. Defense of public safety in conflicts of supra-regional or extra-regional character.*

*5. Maritime fishing.*

*6. The State debt.*

*7. Army, navy, and national defense.*

*8. Tariff regulation, commercial treaties, customs houses and free movement of goods.*

*9. Registration of merchant ships, their dues and rights, and the lighting of the coasts.*

*10. Control of extradition.*

*11. Jurisdiction over the Supreme Court excepting the powers granted to autonomous regions.*

*12. The monetary system, fiduciary issues and the regulation of general banking.*

*13. General control of communications, air lines, postoffices, telegraphs, submarine cables and radio communication.*

*14. Use of water power and hydro-electric plants in cases where water and electric power pass beyond the boundaries of an autonomous region.*

*15. Supervision of sanitation when extra-regional interests are affected.*

*16. Frontier police, emigration, immigration, and control of aliens residing in the country.*

*17. General Treasury of the State.*

*18. Regulation of the manufacture and sale of arms.*

*Art. 15. The Spanish State shall have the power to legislate and, as the Cortes thinks fit, the autonomous regions may have the power of administration in the following matters:*

*1. Penal, social, mercantile, and procedural legislation; and in regard to civil legislation, the form of marriage, the control of deeds and mortgages, the bases of contractual obligation and the regulation of property, real and personal, and statutes relating to ceremonies in order to coordinate their application and settle conflicts between the different civil enactments of Spain. The administration of the social laws shall be supervised by the government of the Republic, in order to insure their strict enforcement as well as that of the international treaties that may be involved.*

*2. Legislation relating to educational and industrial property.*

*3. Efficacy of official communication and public documents.*

*4. Weights and measures.*

*5. Control of mines and minimum control necessary over mountains, agriculture and cattle-raising, as far as these may affect wealth and the coordination of national economy.*

6. Railroads, highways, canals, telephones and principal ports, the State retaining the right of reversion and supervision of railroads, and such direct administration as it may deem necessary.

7. Legislation relating to regional sanitation as far as necessary.

8. Control of social and general safety.

9. Legislation relating to water rights, water hunting and river fishing.

10. Control of the press, associations, meetings and public spectacles.

11. Right of expropriation, reserving always the power of the State to carry out for itself its own public works.

12. Socialization of natural resources and economic enterprises, defining by legislation the property rights and the powers of the State and the regions.

13. Civil aviation and radio broadcasting.

*Art. 16.* In matters not covered by the two foregoing articles, exclusive legislation and direct administration may be within the powers of the autonomous regions, according to the provisions of the respective charters approved by the Cortes.

*Art. 17.* The autonomous regions shall not discriminate between their natives and other Spaniards.

*Art. 18.* All powers not explicitly granted in the charter of an autonomous region shall be considered as reserved to the Spanish State; but the latter may by law delegate or transfer these powers.

*Art. 19.* The Spanish State may by law determine the basis on which the distribution of legislative powers of the autonomous regions shall be adjusted, should this be required for harmony between local interests and the general interest of the Republic. The necessity for such action must first be considered by the Court of Constitutional Guarantees. Such a law shall require the approval of two-thirds of the Deputies of the Cortes. On matters regulated by a fundamental law of the Republic the regions may enact accessory laws and ordinances.

*Art. 20.* The laws of the Republic shall be administered in the autonomous regions by their respective authorities, except those laws the application of which falls under special departments or in which contrary provision is made, but always in accordance with this chapter. The government of the Republic shall have the right to make rules for the administration of its laws, even in cases in which such administration belongs to the regional authorities.

*Art. 21.* The right of the Spanish State shall prevail over that of the autonomous regions in everything that is not exclusively reserved to the latter by their respective charters.

*Art. 22.* Any province which is an autonomous region or part of one may renounce its form of government and return to the status of a province directly linked with the central government. This

step can be taken only on its proposal by a majority of the municipal governing bodies and on its approval by at least two-thirds of the registered voters of the province.

## CHAPTER II—NATIONALITY

*Art. 23.* The following are Spaniards: (1) Those born of a Spanish father or mother either in or outside Spain; (2) those born in Spanish territory of foreign parents provided they choose Spanish nationality in the form determined by law; (3) those born in Spain of unknown parents; (4) foreigners who obtain naturalization papers and those who, without them, obtain the rights of citizenship in any town of the Republic under the terms and conditions prescribed by law; (5) a foreign woman who marries a Spaniard shall retain the citizenship of the country of her origin or she shall acquire that of her husband, prior option being regulated by laws in accordance with international treaties.

The procedure whereby persons of Spanish origin living in other countries may obtain Spanish citizenship shall be established by law.

*Art. 24.* Spanish citizenship is lost in the following cases: (1) On entering the military service of a foreign power without permission from the Spanish State or on accepting from a foreign government a position which involves the exercise of authority or jurisdiction; (2) on voluntarily acquiring the citizenship of a foreign country. On the basis of effective international reciprocity and by means of requirements and procedures fixed by law, citizenship shall be granted to the natives of Portugal and Spanish-American countries, including Brazil, should they request it, provided that they reside in Spanish territory, without losing or modifying the citizenship of their country of origin. In such countries, if not legally forbidden, and even if the rights of reciprocity are not recognized, Spaniards may be naturalized without losing the citizenship of their country of origin.

## CHAPTER III.—RIGHTS AND DUTIES OF SPANIARDS

### PART I—INDIVIDUAL AND POLITICAL GUARANTEES

*Art. 25.* Race, descent, sex, social class, wealth, political ideas or religious beliefs shall not be considered the basis of privilege in public law. The State shall not recognize distinctions or titles of nobility.

*Art. 26.* All religious denominations shall be considered as associations subject to special laws. The State, the regions, the provinces and the municipalities shall not maintain or favor or financially aid the churches and the religious associations and institutions.

A special law shall provide for the total extinction within a period not exceeding two years of State grants to the church.

Those religious orders the rule of which requires in addition to the three canonical vows a special vow of obedience to an au-

thority other than that of the State are declared dissolved. Their property shall be nationalized and used for charitable and educational purposes.

The other religious orders shall be regulated by a special law enacted by the constituent Cortes which shall incorporate the following provisions: (1) Dissolution of those orders which, by reason of their activities, endanger the safety of the State; (2) registration of the orders which are permitted to continue in a special register under the jurisdiction of the Department of Justice; (3) inability to acquire and hold, either themselves or through an agent, more property than that previously considered sufficient for their lodgings and the direct fulfillment of their particular purposes; (4) prohibition of the practice of industry, commerce or teaching; (5) submission to all the tax laws of the country; (6) obligation to render to the State annual accounts of the investment of their wealth in relation to the aims of the order.

The property of religious orders may be nationalized.

*Art. 27.* Freedom of conscience and the right to profess and practice freely any religion are guaranteed in Spanish territory, provided public morals are safeguarded. Cemeteries shall be exclusively under civil jurisdiction. There shall be in them no separation of sections for religious reasons. All denominations may observe their rites privately. Public celebration of the rites of a sect in each case must be authorized by the government. No one shall be compelled to declare officially his religious beliefs. Religious belief or position shall not affect political or civil status, except as is provided in this Constitution for the nomination of the President of the Republic or the appointment of the President of the Council of Ministers.

*Art. 28.* Only those acts declared punishable by law previous to their perpetration shall be punished. No one shall be judged except by a competent judge in accordance with legal proceedings.

*Art. 29.* No one shall be imprisoned except in case of crime. Every person arrested shall be freed or delivered to judicial authority within twenty-four hours after arrest. Every arrest shall be nullified or the person shall be imprisoned within seventy-two hours after having been delivered to a qualified judge. Any decision reached shall be by judicial decree and the interested party shall be notified within the above mentioned period. Authorities whose orders cause the infraction of this article and agents and public officials who execute said orders with knowledge of their illegality shall be held responsible. Action to punish these infractions shall be public, without the necessity of giving bail or warning of any kind.

*Art. 30.* The State may not subscribe to any international agreement or treaty which may have as its object the extradition of political or social offenders.

*Art. 31.* Every Spaniard may move freely within national territory and fix his residence and home without being compelled to move except by virtue of a judicial decision. The right to emigrate or immigrate is recognized and is not subjected to any other limitations than those established by law. A special law shall determine the guarantees for the deportation of foreigners from Spanish territory. The domicile of every Spaniard or foreigner residing in Spain is inviolable. No one shall enter without a warrant from an authorized judge. The examination of papers and other effects shall be carried out always in the presence of the interested party or a member of his family, or, if this is not possible, in the presence of two neighbors of the same town.

*Art. 32.* The inviolability of correspondence in all its forms is guaranteed, except when judicial decrees to the contrary are issued.

*Art. 33.* Every person is free to choose his profession. Liberty of industry and commerce is recognized, except for limitations that the law may impose for social and economic reasons of general interest.

*Art. 34.* Every person has the right to express freely his ideas and opinions, making use of any means of diffusion without subjecting himself to prior censorship. In no case shall an edition of books or newspapers be suppressed except by order of an authorized judge. No newspaper shall be suspended except by unappealable judgment.

*Art. 35.* Spaniards, individually and collectively, shall have the right to petition the legislative, executive and judicial branches of the public power and the authorities. This right shall not be exercised by force of arms.

*Art. 36.* Citizens of both sexes over the age of 23 years shall have equal voting rights in accordance with the laws.

*Art. 37.* The State may compel each citizen to appear in person for civil and military service as fixed by law. Parliament, at the request of the government, will fix the military contingent every year.

*Art. 38.* The right of peaceable assembly without arms is recognized. A special law shall regulate the right of outdoor meetings and parades.

*Art. 39.* Spaniards shall have the right freely to form associations and syndicates for the diverse purposes of life in conformity with the laws of the State. Syndicates and associations are obliged to enroll in the proper public register as fixed by law.

*Art. 40.* All Spaniards without distinction as to sex have the right to public employment or office according to their merit and capacity, unless disqualified by law.

*Art. 41.* Appointments, payments during leaves of absence, and retirement pensions of public officers shall be made ac-

cording to law. Their irrevocability is guaranteed by the Constitution. Dismissal from service, suspension and transfer shall take place only for justified causes provided by law. No public officer shall be molested or persecuted because of his political, social or religious opinions. If a public officer during the exercise of his office violates his duties with prejudice to a third party the State or the corporation which he serves shall be an accessory in regard to the resulting damages as the law may determine. Civil employees may form professional associations if they do not interfere with the public service. The professional associations of employees shall be regulated by a law. Such associations may appeal to the courts against decisions of superiors that may violate the rights of their members.

*Art. 42.* The rights and guarantees set forth in Articles 29, 31, 34, 38 and 39 may be suspended totally or partially in all the national territory, or part of it, by a decree of the government should it be required for the safety of the State in case of manifest and imminent danger. If the Cortes should be in session, it shall pass upon the suspension agreed upon by the government. If the Cortes should be closed, the government shall convoke them for this purpose within a maximum term of eight days. In the event that they are not convoked they shall automatically meet on the ninth day. The Cortes may not be dissolved before reaching a decision while the suspension of guarantees exists. If the Cortes should be dissolved, the government shall immediately notify the Permanent Committee established by Article 62, which shall, in dealing with the situation, have the same powers as the Cortes. The suspension of constitutional guarantees shall not exceed thirty days. Any prorogation shall require a previous decision by either the Cortes or the Permanent Committee when the Cortes is dissolved. During the suspension, in the territory to which it applies, the law of public order shall govern. In no case shall the government banish or deport Spaniards nor exile them for a distance of more than 250 kilometers from their domiciles.

## PART II—FAMILY, ECONOMY AND CULTURE

*Art. 43.* The family is under the special guardianship of the State. Marriage is based on the equality of rights for both sexes and it may be dissolved by mutual agreement or on petition of either party when, in this case, a just cause is alleged.

Parents are obligated to feed, help, educate and instruct their children. The State shall see that these duties shall be discharged and binds itself with the responsibility for their execution. Parents have the same duties to children born out of wedlock as to those born in wedlock. The civil laws shall regulate the investigation of paternity. The legitimacy or illegitimacy of children or the civil status of the parents shall not be declared in writing either in the registry record or in any other record of parentage.

The State will lend assistance to the sick and aged and to the protection of maternity and infancy, adopting the Declaration of Geneva, or table of rights of the child.

*Art. 44.* All the wealth of the country regardless of its ownership is subordinate to the interests of national economy and it affects the maintenance of public obligations in accordance with the Constitution and the laws. The ownership of all types of property may be the object of forced expropriation in the interest of social welfare by means of an adequate indemnification, unless a law approved by an absolute majority of the Cortes shall make contrary disposition. The socialization of property may be carried out under the same conditions. Public services and enterprises which affect the common interest may be nationalized in such cases as social necessity may require. The law permits the State to participate in the development and coordination of industries and enterprises should this be required in the regulation of production and the interests of national economy. In no case shall property be confiscated.

*Art. 45.* All the artistic and historical wealth of the country, regardless of ownership, constitutes the cultural treasure of the nation, and it shall be under the guardianship of the State, which shall have the power to forbid its exportation and transference and to decree the legal expropriations which may be deemed proper for its preservation. The State shall organize a register of historical and artistic wealth and shall insure its careful custody and attend to its perfect conservation. The State shall also protect places noted for their natural beauty or for their recognized artistic or historical value.

*Art. 46.* Work in its diverse forms is a social obligation and shall enjoy the protection of the laws. The Republic shall assure each worker the conditions necessary for suitable existence. Social legislation shall regulate: questions of health, accident, unemployment, old age, disability, and death insurance; the labor of women and the young, and especially the protection of maternity; the number of hours of work and the minimum income of individuals and families; yearly vacations with pay; the condition of the Spanish worker in foreign countries; cooperative societies and associations; the economic and legal relation of the factors which integrate production; the participation of workers in the administration, direction, and benefits of enterprises and everything that may affect the welfare of the workers.

*Art. 47.* The Republic shall protect the farmer and to this end shall legislate, among other matters, concerning such family patrimony as is non-mortgageable and exempted from all kinds of taxes, agricultural loans, indemnification for loss of crops, cooperatives for production and consumption, weather bureaus, schools of practical agriculture, experi-

mental stations for agriculture and cattle raising, irrigation, and rural roads.

The Republic shall protect the fishermen in the same manner.

*Art. 48.* The service of culture is an essential attribute of the State, and it shall be carried on through educational institutions linked by a system of unified teaching.

The primary school shall be free and compulsory. Teachers, professors and university professors in the State-supported schools are public officials. Academic freedom is recognized and guaranteed. The Republic shall legislate to make possible all kinds of instruction for all needy Spaniards, so that they may not find themselves limited except by aptitude and vocation. Teaching shall be laical, it shall use work as the centre of its methodological activity, and it shall be inspired by ideals of human solidarity. The rights of the churches to teach their respective doctrines in their own establishments is recognized, subject to the inspection of the State.

*Art. 49.* The conferring of academic and professional degrees is exclusively the function of the State, which shall establish the proofs and requirements necessary to obtain them, even in cases in which the certificates of studies come from centres of learning in autonomous regions. A law of public instruction shall determine the school age for each grade, the duration of the teaching periods, the contents of pedagogical plans, and the conditions under which teaching may be permitted in private establishments.

*Art. 50.* Autonomous regions may organize teaching in their respective languages in accordance with the powers granted in their charters. The study of the Castilian language is obligatory, and this language shall be used also as an instrument of teaching in the primary and secondary schools in autonomous regions. The State shall have the power of maintaining or creating in the autonomous regions educational institutions of all the grades, using the official language of the Republic. The State shall exercise supreme supervision in all national territory in order to insure compliance with the provisions contained in this article and in the two foregoing articles. The State shall provide for the dissemination of Spanish culture, establishing delegations and centres of study and instruction in foreign countries, giving preference to the Spanish-American countries.

#### CHAPTER IV—THE CORTES

*Art. 51.* The legislative power resides in the people and is exercised by means of the Cortes.

*Art. 52.* The Cortes is composed of representatives elected by equal, direct and secret universal suffrage.

*Art. 53.* All citizens over twenty-three years of age without distinction as to sex or civil status shall be eligible for membership provided that they fulfill the conditions fixed by the electoral law. Deputies, once elected, represent the na-

tion. The legal duration of the mandate shall be four years, counting from the date on which the general elections were held. At the end of this term the Cortes shall be wholly renewed. Seventy days, at the most, after expiration of the mandate or the dissolution of the Cortes, a new election must take place. The Cortes shall convene not later than thirty days after the election. Deputies shall have the right to re-election indefinitely.

*Art. 54.* The law shall determine the category of offenses for which Deputies are liable as well as the penalties attached.

*Art. 55.* Deputies are inviolate for votes cast, and opinions expressed, in the exercise of their office.

*Art. 56.* The Deputies may be arrested only in *flagrante delicto*. The Cortes or the Permanent Committee must be immediately notified of the arrest. If a judge or court should find it necessary to institute a suit against a Deputy, said judge or court must communicate with the Cortes, stating the grounds for such action. If sixty days after acknowledging receipt of the said official communication the Cortes does not make a decision, it shall be understood that the letters rogatory are denied. Every arrest or indictment of a Deputy will remain without effect if the Cortes in session should make that decision or if the Permanent Committee should do likewise in the event that the sessions are suspended or the Cortes dissolved. The Cortes as well as the Permanent Committee, according to the above-mentioned cases, may resolve that the judge should suspend the proceedings until the expiration of the term of office of the Deputy involved in the judicial action. The decisions of the Permanent Committee shall be considered revoked if the Cortes after it convenes should not expressly ratify them in one of the first twenty sessions.

*Art. 57.* The Cortes shall have the power to determine the validity of elections and the qualifications of its elected members and to adopt regulations for its internal conduct.

*Art. 58.* The Cortes shall convene without the necessity of convocation on the first weekday (not a holiday) of the months of February and October of each year and shall function for at least three months in the first period and two in the second.

*Art. 59.* It is the right of the dissolved Cortes to convene and to recover its power as the legitimate power of the State from the moment the President fails to fulfill within the allotted time his obligation to order new elections.

*Art. 60.* The government and the Cortes have the initiative in respect to the laws.

*Art. 61.* The Cortes may authorize the government to legislate by decrees, previously agreed upon in the Council of Ministers, on matters reserved to the competence of the legislative power. These authorizations shall not have a general character, and the decrees issued

by virtue of said authorization shall be adjusted strictly on the base established by the Cortes in each specific matter. The Cortes may demand knowledge of said laws in order to pass judgment on their conformity with the bases established by it. In no case shall increased expenses be authorized in this manner.

*Art. 62.* The Cortes shall appoint from its membership the Permanent Committee of the Cortes, composed of a maximum of twenty-one representatives of the different political factions in proportion to their numerical strength. The President of this committee shall be whosoever is the President of the Congress. The committee shall have jurisdiction over the following: (1) Cases of the suspension of Constitutional Guarantees as provided for in Article 42; (2) matters covered by Article 80 of this Constitution relative to decree laws; (3) matters concerning arrest and indictment of Deputies; (4) other matters on which the rules of the Chamber may confer power.

*Art. 63.* The President of the Council and the Ministers shall have a voice in the Cortes although they may not be Deputies. Their absence from the Cortes shall not be excused when their presence is required.

*Art. 64.* The Cortes may agree to a vote of censure against the government or any of its Ministers. Every vote of censure must set forth the accusations and in writing, with the signatures of fifty active Deputies. This proposition must be communicated to all the Deputies and it shall not be discussed or voted upon until five days after its presentation. The government or Ministry shall not be compelled to resign if the vote of censure is not approved by an absolute majority of the Deputies constituting the Cortes. The same guarantees shall be observed in respect to any other proposition which indirectly may imply a vote of censure.

*Art. 65.* All the international agreements ratified by Spain and registered in the League of Nations, and having the character of international law, shall be considered a constituent part of Spanish legislation, which shall be in accord with the terms of such agreements. Once an international agreement which may affect the juridical order of the State is ratified, the government, within a brief period of time, shall present to the Cortes projects for laws necessary for the execution of its precepts. No law may be enacted contrary to said agreements unless such agreements have been denounced previously in accordance with the legal procedure established by them. Initiation of the denunciation must be sanctioned by the Cortes.

*Art. 66.* By means of the "referendum" the people may decide upon the laws passed by the Cortes. This may be accomplished by a petition signed by fifteen per cent of the electoral body. The Constitution and its complementary laws, the ratification of international agree-

ments registered in the League of Nations, the regional statutes and the tributary laws shall not be subject to such action. The people shall, likewise, exercising the right of initiative, present to the Cortes the proposal of a law whenever this should be demanded by at least fifteen per cent of the electors. A special law shall regulate the proceedings and guarantees of the "referendum" and popular initiative.

#### CHAPTER V—PRESIDENCY OF THE REPUBLIC

*Art. 67.* The President of the Republic is the Chief of State and personifies the nation. The law shall determine his salary and his honors, which may not be altered during his term of office.

*Art. 68.* The President of the Republic shall be elected jointly by the Cortes and by Presidential electors equal to the number of Deputies. The Presidential electors shall be elected by equal, direct and secret universal suffrage, according to the procedure determined by law. The Court of Constitutional Guarantees shall have jurisdiction over questions concerning the powers of Presidential electors.

*Art. 69.* Only Spanish citizens over the age of forty years, enjoying full possession of their civil and political rights, shall have the right to be elected to the Presidency of the Republic.

*Art. 70.* The following are not eligible and may not be nominated: (a) Reserve or active military officers or those retired from service less than ten years; (b) clergymen and ministers of the various creeds, and members of religious orders; (c) members of reigning families or quondam reigning families, of any country, whatever their relationship to the heads of such families may be.

*Art. 71.* The term of office of the President of the Republic shall be six years. The President of the Republic shall not be re-elected until six years after the expiration of his last term of office.

*Art. 72.* The President of the Republic shall promise before the solemnly convened Cortes allegiance to the Republic and the Constitution. The new Presidential term shall be considered to commence on the making of said promise.

*Art. 73.* The election of a new President of the Republic shall take place thirty days before the expiration of the previous Presidential term.

*Art. 74.* In case of the temporary incapacity or absence of the President of the Republic, the president of the Cortes shall act in his stead and, in turn, shall hand over his functions to the vice president of the Cortes. In the same manner the president of the Cortes shall assume the functions of the Presidency of the Republic if this should become vacant. In such case the election of the new President, as established by Article 68, shall be ordered within eight days, and this election shall take place within thirty days after the order. For the exclusive purpose of electing the President of the

Republic, the Cortes, even though dissolved, shall retain its powers.

Art. 75. The President of the Republic shall appoint and dismiss freely the Premier, and, on the proposal of the latter, the Ministers. He shall be forced to dismiss them if the Cortes should refuse explicitly to accord them its confidence.

Art. 76. The President of the Republic shall also have the power to: (a) Declare war, in accordance with the requirements of the article following, and make peace; (b) appoint to military and civil positions and confer professional titles in accordance with the laws and regulations; (c) authorize with his signature decrees countersigned by the proper Minister, and previously agreed to by the government. The President has the power to have these decrees submitted to the Cortes if, in his opinion, such decrees conflict with any of the existing laws; (d) order urgent measures necessary for the defense of the integrity or security of the nation, informing the Cortes immediately; (e) negotiate, sign and ratify international treaties and agreements on any matter and see to their compliance throughout the national territory. Treaties of political or commercial character, and treaties which involve certain obligations on the National Treasury or on the citizens of Spain, and, in general, all those treaties which require for their execution measures of a legislative character, shall bind the nation only if they have been approved by the Cortes. The proposed agreements of the International Labor Organization shall be submitted to the Cortes within a period of one year, or, under exceptional circumstances, eighteen months from the date of the closing of the conference at which they have been adopted. Once they are approved by the Cortes they shall be ratified by the President of the Republic and registered with the League of Nations. Other international treaties and agreements ratified by Spain shall also be registered with the League of Nations, in accordance with Article 18 of the pact of the League, for the purposes contained therein. Secret treaties and agreements or secret clauses of any treaties or agreements shall not bind the nation.

Art. 77. The President of the Republic shall not have the power to sign a declaration of war except subject to the conditions prescribed in the pact of the League of Nations and only after exhaustion of the possibilities of non-belligerent defensive measures and judicial proceedings of conciliation and arbitration established by the international covenants registered in the League of Nations and to which Spain is a party. If the nation should be bound with other countries by special treaties of conciliation and arbitration, these treaties shall be followed in so far as they do not conflict with general covenants. If the foregoing requirements are fulfilled, the President of the Republic shall be authorized by a law to sign a declaration of war.

Art. 78. The President of the Republic may not give notice of Spanish retirement from the League of Nations except by

making the announcement in accordance with the procedure required by the pact of that League and after previous authorization by the Cortes conferred in a special law passed by an absolute majority.

Art. 79. The President of the Republic, upon request of the government, shall issue any necessary decrees, rulings and instructions for the execution of laws.

Art. 80. When the Cortes is not in session, the President, at the request of and by the unanimous agreement of the government and with the approval of two-thirds of the Permanent Committee shall have the power, when exceptional cases may demand urgent decision or when the defense of the Republic is in question, to legislate by decree concerning matters reserved to the competence of the Cortes. The decrees thus issued shall have only provisional character and their operation shall be limited to the time that the Cortes shall take to reach a solution or legislate concerning the matter.

Art. 81. The President of the Republic may convoke the Cortes for an extraordinary session whenever he deems it desirable. He may suspend ordinary sessions of the Cortes in each legislative term for only one month in the first period and fifteen days in the second, provided he does not fail to comply with the rules prescribed in Article 58. The President may dissolve the Cortes as often as twice during his term of office should he consider it necessary, subject to the following conditions: (a) That the reasons for the decree be set forth; (b) that the decree of dissolution be accompanied by the ordering of new elections to be held within sixty days. In case of a second dissolution, the first act of the Cortes shall be to examine and decide upon the necessity for the decree of dissolution of the previous Cortes. The unfavorable vote of an absolute majority of the Cortes shall carry with it the removal of the President.

Art. 82. The President may be removed before the expiration of his term of office. The initiative for the removal shall be considered on the proposal of three-fifths of the members of the Cortes and from this moment the President may not exercise his functions. Within a term of eight days the election of Presidential electors shall be ordered in the manner provided for the election of Presidents. The Presidential electors, in conjunction with the Cortes, shall decide by an absolute majority on the proposal regarding the President. If the Cortes should vote against the removal of the President, the Cortes shall be dissolved. Should the contrary be the case, this same Cortes shall elect the new President.

Art. 83. The President shall promulgate the laws sanctioned by the Cortes within a period of fifteen days from the date on which the sanction has been officially communicated. If the law should be declared urgent by two-thirds of the votes cast by the Cortes, the President shall proceed to its immediate promulgation. Before promulgating laws not declared

urgent, the President may request the Cortes by means of a detailed message to submit them for further deliberation. If they should be approved by a majority of two-thirds of those voting, the President shall be obliged to promulgate them.

*Art. 84.* All acts and mandates of the President not countersigned by a Minister shall be void and without effect. The execution of the said mandates shall involve penal responsibility. Ministers who countersign acts or mandates of the President of the Republic assume full civil and political responsibility and they share in the criminal responsibility that may be derived from them.

*Art. 85.* The President of the Republic is criminally responsible for any delinquent infraction of his constitutional duties. By a resolution of three-fifths of all its members, the Cortes shall decide whether it shall bring accusation against the President of the Republic before the Court of Constitutional Guarantees. If the accusation should be supported by the Cortes, the court shall decide whether to admit it or not. In the event that it is confirmed, the President shall be at once removed, a new election shall proceed, and the case shall follow its course. If the accusation should not be admitted, the Cortes shall be dissolved and a new election ordered. A law of constitutional character shall determine the proceedings to fix the criminal responsibility of the President of the Republic.

#### CHAPTER VI—GOVERNMENT

*Art. 86.* The president of the Council and the Ministers constitute the government.

*Art. 87.* The president of the Council of Ministers directs and represents the general policy of the government. He is affected by the same qualifications set forth in Article 70 in the case of the President of the Republic. The Ministers are responsible for the supreme direction and conduct of public services assigned to the various Ministerial departments.

*Art. 88.* The President of the Republic, on the proposal of the president of the Council, may appoint one or more Ministers without portfolio.

*Art. 89.* The members of the government shall have the salary which the Cortes may determine. While they carry out their functions they shall not be engaged in any profession, nor shall they intervene directly or indirectly in the direction or conduct of any private enterprise or association.

*Art. 90.* It falls to the duty of the Council of Ministers, especially, to elaborate the projects of the laws to be submitted to the Cortes, to issue decrees, to exercise the regulating power, and to deliberate on all matters of public interest.

*Art. 91.* The members of the Council are responsible before the Cortes, collectively, for the policy of the government; and, individually, for their own Ministerial conduct.

*Art. 92.* The president of the Council and the Ministers also are individually responsible, civilly and criminally, for infractions of the Constitution and of the laws. In case of delinquency, the Cortes shall carry the accusation before the Court of Constitutional Guarantees in the form determined by law.

*Art. 93.* A special law shall regulate the creation and functioning of accessory organs and the economic arrangement of the administration of the government and the Cortes. Among these organs shall be a Supreme Advisory Board of the Republic concerned with matters of government and administration whose composition, powers and functions shall be regulated by the above-mentioned law.

#### CHAPTER VII—JUSTICE

*Art. 94.* Justice shall be administered in the name of the State. The Republic shall assure gratuitous justice to economically needy litigants. Judges are independent in their functions. They are subject only to the law.

*Art. 95.* The administration of justice shall cover all existing jurisdictions which shall be regulated by law. Penal military jurisdiction shall be limited to military crime, to the armed service, and to the discipline of all military academies. It may not establish any privilege or exemption whatsoever to persons or places, excepting in case of a state of war, in accordance with the law of public order. All civil and military courts of honor are abolished.

*Art. 96.* The president of the Supreme Court shall be appointed by the President of the Republic on the proposal of an assembly constituted in the form determined by law. The only requirements for the office of president of the Supreme Court shall be the following: to be a Spaniard over 40 years of age and to be licensed in law. He shall be governed by the same qualifications established for other judicial officers. The duration of his judgeship shall be ten years.

*Art. 97.* The president of the Supreme Court shall have, besides his own powers, the following: (a) To prepare and propose to the Ministry and to the Parliamentary Commission of Justice laws of judicial reform and laws of the codes of procedure; (b) to propose to the Minister, with the agreement of the Government Court and the juridical counselors appointed by law but not practising law, promotions and transfers of judges, magistrates and prosecutors. The president of the Supreme Court and the Attorney General shall be permanent members, with voice and vote, of the Commission of Justice in the Cortes. This right does not imply a chair in the Cortes.

*Art. 98.* The judges and magistrates shall not be retired, dismissed or suspended in their functions, nor transferred, except in obedience to the laws that shall contain the necessary guarantees for the effective independence of the courts.

*Art.* 99. The civil and criminal responsibility which judges, magistrates and prosecutors may incur in the exercise of their functions or in conjunction with them shall be fixed before the Supreme Court with the intervention of a special jury whose appointment, powers and independence shall be regulated by law. The civil and criminal responsibility of municipal judges and prosecutors not belonging to the judicial profession is excepted. The criminal responsibility of the president and magistrates of the Supreme Court and the Attorney General of the Republic shall be fixed by the Court of Constitutional Guarantees.

*Art.* 100. If a Court of Justice should find it necessary to apply a law contrary to the Constitution it shall suspend proceedings and consult with the Court of Constitutional Guarantees.

*Art.* 101. The law shall establish the recourse against the illegality of acts or dispositions emanating from the administration in the exercise of its regulating power and against its discretionary acts resulting from an excess or deviation of power.

*Art.* 102. Amnesties may be granted only by the Cortes. General pardons shall not be granted. The Supreme Court shall grant individual pardons on the proposal of the judge, the prosecutor, the Board of Prisons or on petition of the party. In offenses of extreme gravity the President of the Republic may grant pardon after receiving information concerning the case from the Supreme Court and on the recommendation of the responsible governing bodies.

*Art.* 103. The people shall participate in the administration of justice by means of the institution of the jury, whose organization and function shall be the object of a special law.

*Art.* 104. The Ministry of Justice shall see to the exact performance of the laws in the social interest. It shall constitute a single body and it shall have the same guarantees of independence as the administration of justice.

*Art.* 105. The law shall organize emergency courts to insure the right of protection of individual guarantees.

*Art.* 106. Every Spaniard has the right to be indemnified for losses caused him by judicial error or offense of judicial officers in the exercise of their offices, as determined by law. The State shall be responsible for these indemnifications.

#### CHAPTER VIII—PUBLIC TREASURY

*Art.* 107. The planning of the budget is under the jurisdiction of the government and must be approved by the Cortes. The government shall present to the Cortes during the first two weeks of October of each year the proposed budget of the State for the following fiscal year. The existing budget shall be in force for one year. If the budget cannot be voted upon before the first day of the following fiscal year the budget in force shall be extended

for three months at a time. There shall not be more than four extensions.

*Art.* 108. The Cortes shall not present amendments to articles or chapters of the budget plan relating to the increase of credits unless they are signed by one-tenth of its members. Its approval shall require the favorable vote of the absolute majority of the Cortes.

*Art.* 109. There may be only one budget for each fiscal year. Each budget shall include all incomes and expenses of ordinary character. An extraordinary budget may be authorized if, in the judgment of the absolute majority of the Cortes, the necessity for so doing is peremptory. The accounts of the State shall be rendered annually and examined by the Court of Accounts of the Republic. The latter, without prejudice to the effectiveness of its findings, shall communicate to the Cortes the Ministerial infractions or responsibilities which, in its judgment, have been incurred.

*Art.* 110. The general budget shall be executed only after it has been approved by the vote of the Cortes, and it shall not require for its enforcement promulgation by the President of the Republic.

*Art.* 111. The budget shall determine the floating debt that the government may issue during the fiscal year. This debt shall be terminated during the legal life of the budget.

*Art.* 112. Except as provided by the preceding article, every law authorizing the government to utilize borrowed money must include the conditions of the loan, the nominal standard of interest and, in all events, the amortization of the debt. The authorizations to the government in this respect shall be limited, should the Cortes deem it desirable, to the conditions and character of the negotiation.

*Art.* 113. The budget shall not contain any authorization permitting the government to spend beyond the maximum amount named therein except in case of war; therefore, there shall exist no so-called expandible loans.

*Art.* 114. The specified credit for expenses of the State represents the maximum amounts assigned to each service. These amounts may not be altered or exceeded by the government, except that, if the Cortes should not be in session, the government may grant under its responsibility credits or supplementary credits in each of the following cases: (a) War or its prevention; (b) grave disturbances of public order or imminent danger of their occurrence; (c) public calamities; (d) international engagements. Special laws shall determine the procedure of these loans.

*Art.* 115. No one shall be obliged to pay any tax not voted by the Cortes or by the bodies legally authorized to impose them. The exaction of taxes, imposts and assessments and the realization of sales and operations of credit shall be understood to be authorized in accordance with the laws in force, but these shall not be required or carried out without previous

authorization in the statement of revenues of the budget. Nevertheless, all administrative operations previously established in the laws shall be understood to be authorized.

*Art. 116.* The law of budgets, should it be considered necessary, shall contain only the rules applicable to the execution of the budget to which they refer. Its rules shall be in force only during the existence of the budget in question.

*Art. 117.* In order to dispose of the property of the State and to borrow money on the credit of the nation, it shall be necessary for the government to be so authorized by law. Every operation that violates this precept shall be null and it shall not bind the State either in its amortization or payment of interest.

*Art. 118.* The public debt shall be safeguarded by the State. The credits necessary to satisfy the payment of interest and principal shall always be understood to be included in the statement of expenses of the budget. Such credits may not be the object of discussion as long as they strictly comply with the laws which authorize their issuance. Under the same circumstances, identical guarantees shall be enjoyed by any operation in general, implying directly or indirectly the economic responsibility of the treasury.

*Art. 119.* Every law establishing amortization funds shall be adjusted to the following rules: (1) It shall authorize freedom of negotiation in connection with such funds; (2) it shall designate concretely and specifically the income with which it shall be endowed. Neither the income nor the capital of the fund shall be applied to any other purpose of the State; (3) it shall fix the debt or debts whose amortization comes under their jurisdiction. The annual budget of the amortization funds shall require for its execution the approval of the Minister of the Treasury. The accounts shall be submitted to the Court of Accounts of the Republic and the Cortes shall be informed of the result of the examination.

*Art. 120.* The Court of Accounts of the Republic is the financial organ of economic control. This court shall be directly under the supervision of the Cortes, under whose delegation it shall exercise its functions of the examination and final approval of the accounts of the State. A special law shall regulate its organization, competence and functions. Its conflicts with other organizations shall be submitted to the decision of the Court of Constitutional Guarantees.

#### CHAPTER IX—GUARANTEES AND AMENDMENTS OF THE CONSTITUTION

*Art. 121.* A Court of Constitutional Guarantees is established with jurisdiction over the entire territory of the Republic, having within its competence the following: (a) Appeals concerning unconstitutionality of the laws; (b) appeals concerning individual guarantees when complaint before other authorities has

been ineffective; (c) conflicts concerning legislative competence, or conflicts between the State and autonomous regions, and those between autonomous regions; (d) the review and approval of the powers of the presidential electors, who, together with the Cortes, shall elect the President of the Republic; (e) criminal responsibility of the President of the Republic, president of the Council, and Ministers; (f) criminal responsibility of the President and magistrates of the Supreme Court and of the Attorney General.

*Art. 122.* This Court shall be composed of: A president designated by the Cortes, who may, or may not, be a deputy; the president of the Supreme Advisory Board of the Republic, referred to in Article 93; the president of the Court of Accounts of the Republic; two Deputies of the Cortes freely elected by the Cortes; a representative of each of the Spanish regions, elected in the form determined by law; two members appointed through election by the schools of law of the Republic; four professors of the faculty of law appointed in the same manner from among all the faculties of Spain.

*Art. 123.* The following are competent to appeal to the Court of Constitutional Guarantees: (1) The Ministry of Finance; (2) the judges and the Courts, as specified in Article 100; (3) the Government of the Republic; (4) the Spanish regions; (5) every person, individual or collective, even though not directly wronged.

*Art. 124.* A special organic law voted by this Cortes shall establish the immunities and prerogatives of the members of the Court and the extension and effect of the appeals referred to in Article 121.

*Art. 125.* The Constitution may be amended: (a) On proposal of the Government; (b) on proposal of one-fourth of the members of Parliament. In either of these cases the proposal shall indicate concretely the article or articles that are to be suppressed, amended or added to. It shall follow the procedure specified by a law, and the vote for the reform shall require two-thirds of the Deputies, in the exercise of their office, during the first four years of the life of the Constitution and an absolute majority thereafter. Once the necessity for reform is agreed upon, the Cortes shall be automatically dissolved and a new election shall be held within sixty days. The Cortes thus elected, functioning as a Constituent Assembly, shall decide upon the proposed amendment and it shall act then as the ordinary Cortes.

#### TEMPORARY DISPOSITION

The present Constituent Assembly shall elect by secret vote the first President of the Republic. For his election it shall require an absolute majority of the votes of the members in the exercise of their office. If none of the candidates shall obtain an absolute majority of votes, a new vote shall proceed, and the candidate who obtains the majority of votes shall be proclaimed elected.